S. HRG. 114–199

FAA REAUTHORIZATION: AIRPORT ISSUES AND INFRASTRUCTURE FINANCING

HEARING

BEFORE THE

SUBCOMMITTEE ON AVIATION OPERATIONS, SAFETY, AND SECURITY

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

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CONTENTS

FAA REAUTHORIZATION: AIRPORT ISSUES AND INFRASTRUCTURE FINANCING

THURSDAY, APRIL 23, 2015

U.S. SENATE,
SUBCOMMITTEE ON AVIATION, OPERATIONS, SAFETY, AND SECURITY,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Subcommittee met, pursuant to notice, at 9:45 a.m. in room SR–253, Russell Senate Office Building, Hon. Kelly Ayotte, Chairman of the Subcommittee, presiding.

Present: Senators Ayotte [presiding], Wicker, Fischer, Moran, Sullivan, Johnson, Gardner, Daines, Cantwell, Klobuchar, Nelson, Blumenthal, Schatz, Booker, Manchin, and Peters.

OPENING STATEMENT OF HON. KELLY AYOTTE, U.S. SENATOR FROM NEW HAMPSHIRE

Senator AYOTTE. Good afternoon, and welcome. Or, good morning, and welcome.

[Laughter.]

Senator AYOTTE. Today's hearing is the second in a series we are holding in preparation for this year's Federal Aviation Administration's reauthorization effort. Last week, the full committee heard from FAA Administrator Huerta on a number of issues in relation to the FAA reauthorization. And two days ago, we engaged with a number of stakeholders regarding the certification process and competitiveness for the airline industry. So, I really want to thank the witnesses who are here with us today.

The American aviation system consists of 19,000 airports ranging from facilities that handle tens of millions of passengers each year down to grass landing strips. Of those 19,000 airports, 3,300 are eligible for Federal funding assistance. Today, we will have the opportunity to discuss the funding of those airports' capital needs through mechanisms such as the Airport Improvement Program, Passenger Facility Charges, bonds, and state and local sources. Additionally, we will look at the Federal Contract Tower Program, small community air service issues, aircraft noise, and the Airport Disadvantaged Business Enterprise Program.

Our aviation system depends on adequate infrastructure. Although passenger totals have fluctuated, demand is now growing, and updating airport structure and capacity is an important practical and policy goal.

Of note in the discussion on infrastructure demands in funding are projections of capacity limitations at airports. While needs go

beyond the air-side components, such as gates and runways, FAA's most recent capacity report forecasts an overall decline in capacity investment needs through 2030, as compared to prior projections. This measure looks at what investments are needed for airports to operate without significant delays. This does not mean we should stop investing in aviation infrastructure, but it should inform our approaches to ensuring that funding mechanisms are tailored to projected needs.

One of the primary means of funding airport capital needs occurs through the Airport Improvement Program, which provides Federal grants to airports for safety and capacity projects, with $3.35 billion set for the program in 2015. For example, AIP helps airports build runways and improve airport safety, such as through requiring snow removal equipment. And I can tell you that, in New Hampshire—New Hampshire got a lot of snow this past winter, and I always appreciate the work done, certainly at the Manchester Airport and at others, when you land and it is actually cleared.

Another funding source comes from the Passenger Facility Charges, which are federally authorized local fees on each airline passenger enplanement. The PFC cap is $4.50, with airports seeking to collect high PFCs foregoing a portion of their AIP funding.

There has been a lot of attention focused on the PFC rate cap. The President's Fiscal Year 2016 budget proposal calls for hiking the PFC cap to $8 while lowering the AIP funding to $2.9 billion. This proposal, or any related to altering the AIP/PFC mix, has generated a lot of feedback from stakeholders. I'm sure that we will have a lively discussion among our panelists today about the merits and drawbacks of changing the PFC cap. And I look forward to hearing from all of you on your thoughts on this issue so that we can strike the right balance.

It is easy to see that the "raise-the-PFC" or "keep-the-PFC-the-same" arguments as merely a dispute between airports and airlines. However, it's our job on this committee to consider policies that will strengthen our infrastructure, keep our aviation system safe, and reduce burdens and costs on the traveling public. So, we really do have to hear from all of you on what the proper balance is.

We owe it to traveling Americans to ensure that we promote efficient financing mechanisms. As a frequent traveler, I can tell you that I value good facilities that help me get home to my kids safely. And I know that my constituents do, as well.

This hearing is also an opportunity to discuss our smaller airports and community needs. I look forward to hearing more about the Federal Contract Tower Program through which FAA contracts air traffic control services at certain airports, including airports that are important in New Hampshire, including my hometown of Nashua.

I believe contract towers represent a wise investment, particularly in our resource-constrained Federal budget environment. A DOT inspector general audit of the FAA Contract Tower Program concluded that FAA contract towers provide cost-effective and safe air traffic control services and operate at a lower cost than similar FAA-operated towers.

Also, as one of our panelists notes, as we look at this issue, the Inspector General found that contract towers, on average, cost $1.5 million less per tower compared to FAA towers, and about 80 percent of contract tower controllers are veterans, and they serve our aviation system very well. I visited the contract tower at Nashua, that I mentioned, at New Hampshire's Boire Field, and can attest to the professionalism and efficiency of that operation.

Finally, given aviation's unique dynamics in various parts of our Nation, including connecting rural and urban regions, I look forward to hearing from the panelists and my colleagues about small-community air-service issues.

Today, we will hear from five witnesses: Dr. Gerald Dillingham, who was just before the Committee the other day, so we appreciate all your work and attention and time that you are spending with us this week—he is the Director of Civil Aviation Issues at the U.S. Government Accountability Office; Ms. Sharon Pinkerton, Senior Vice President, Legislative and Regulatory Affairs for the Airlines for America; Mr. Todd Hauptli, President and CEO of American Association of Airport Executives; Mr. Mark Reis, Managing Director of Aviation Division, Port of Seattle—certainly my Ranking Member, coming from the state of Washington, we appreciate his being here; Mr. Michael J. Minerva, Vice President of Government and Airport Affairs of American Airlines.

Thank you all.

And I'd like to turn it over to Ranking Member Cantwell.

STATEMENT OF HON. MARIA CANTWELL, U.S. SENATOR FROM WASHINGTON

Senator CANTWELL. Thank you, Madam Chair. And thank you for holding this important hearing.

And thank you, to all the witnesses, for being here today. Three of you are local to Washington, D.C., but, as the Chair mentioned, Mark Reis is here from Seattle as the Managing Director of the Seattle-Tacoma International Airport. We thank you for traveling here and being with us today.

In 2004, over 660 million air passengers traveled in our domestic aviation system. That means that people are spending time in 389 of our commercial airports. And that comprises the core of our air transportation network. These airports come in all shapes and sizes, but each one is critical to the community it serves, and it helps support the economy.

The impact of air service on our Nation cannot be overstated. Just ask any community that has fought to keep commercial service. whether connected by commercial service or general aviation, an airport is indispensable to the elements of a public infrastructure, just like roads and transit are connections for our public citizens.

We're here today to discuss the current state of our airport infrastructure and what we can do to make sure that that infrastructure meets the needs of every community. And, while we must consider our airports as an integrated system, just as we do air traffic control operations, which are inherently local, we'll have a lot of discussion about that this morning.

Managed by public aviation authorities or local governments, each airport has a mission to serve its community and provide connectivity to families and friends in the global economy. Some of our airports have kept pace with the rate of growth, but others have fallen behind. And we constantly hear complaints about the infrastructure needs in various parts of our country.

Across the country, airports reflect the community they serve. And this is important. It's a very important economic development tool for any community. This is one of the reasons why Congress created the Passenger Facility Charge in 1990 to fund airport infrastructure investment. These PFCs, which may be collected as part of an airline ticket, are locally-levied user fees that are invested back into the airport. While the PFC is a critical component of airport funding, it is one of the several funding streams available to airports, which also include the FAA's improvement program, tax-exempt bonds, and State and local government grants. And I hope that this morning we'll be able to get into some of the discussion about those various revenue streams and how we move forward on moving legislation.

As Congress debates whether to increase the PFC—so that we can keep pace with economic growth, we must consider how airports will invest these dollars. And as part of this discussion, I hope we can find ways to improve the passenger experience and keep commerce moving.

Many of the airports' experience do directly impact passengers. And, Madam Chair, last time we did a large, comprehensive bill, we had a Passenger's Bill of Rights that I think was very important in reviewing the needs of the traveling public. And I think we should get an update on that and look at possible new issues that we need address.

But, obviously, airports have different business models that are about helping to return economic benefit back into the infrastructure. So, we really want to look at that as we look at the demand on that infrastructure over the next several decades. Some airports—and I am sure Sea-Tac will tell us about this today—about how much growth they are trying to meet and how do they meet that growth without some tools for infrastructure investment.

Airports and aviation, in general, have tried to become more efficient. And I'm sure we're going to hear about that today, as well. I think one issue that we really want to understand is how we all move more aggressively toward the implementation of the Next Gen system, because there are efficiencies there. But, airports have done everything from providing for pre-conditioned air, to planes parked at gates, to enabling them to save fuel off their power unit systems, to providing electrical power to airlines to convert their airport fleets to run on electricity, to operating its own ramp tower, which allows controllers to efficiently guide aircraft to and from 69 mainline aircraft gates. So, the accumulation of these projects have resulted in a reduction of over 55,000 metric tons of greenhouse gases, and they've resulted in annual savings of approximately 20 million for airlines who serve Sea-Tac. So, obviously, that's good news for both Sea-Tac and for those airlines. And we want to think more about how we implement Next Gen across the airport system, which is a lot of coordination by both the airports and the airlines

and the FAA. But, there are real savings there, and we need to focus on how we help with those savings, make investments into this infrastructure.

Finally, I know that many members of the Committee and Congress have concerns about the health of the Contract Tower Program. Contract towers provide a vital layer of safety to the national airspace system. And I look forward to hearing from our panel about this important issue. Our airports are a critical component of civil aviation system, and I know that we'll have a lively discussion about this. But, again, airports are key economic tools to any community, and we need to continue to keep them to be robust aspects of our transportation system.

So, thank you, Madam Chair, and I look forward to hearing from the witnesses.

Senator AYOTTE. Thank you so much, Senator Cantwell.

And we will hear, first, from Dr. Gerald Dillingham, the Director of Civil Aviation Issues at the U.S. Government Accountability Office.

Thank you, Doctor.

STATEMENT OF GERALD L. DILLINGHAM, PH.D., DIRECTOR, CIVIL AVIATION ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Dr. DILLINGHAM. Thank you, Madam Chair. Good morning, Ranking Member Cantwell, distinguished members of the Subcommittee.

My statement this morning focuses on two aspects of airport funding. First, what is known about the potential scope and cost of planned airport development? And, second, what are the available sources of funding to finance that development?

Regarding the scope and cost of airports' planned development, according to FAA, overall airport capacity—that is, the scope of infrastructure needed to help airports operate without significant delays—has generally improved. In 2004, FAA projected that 41 airports would be capacity-constrained by 2020 unless additional investment occurred. However, in its 2015 report, FAA projected only six airports will be capacity-constrained by 2020. FAA's latest 5-year estimate for future development costs is $33.5 billion, a 21 percent decline from its previous estimate. In contrast, the Airport Association's total estimated cost of planned development for that same 5-year period is $72.5 billion, about a 6.2 increase from their prior estimate, and more than twice the FAA estimate.

These estimates differ because the FAA estimate consists of only projects eligible for Federal airport grants, while the airports' estimate also includes projects that are not eligible for Federal airport grants as well as projects for which financing has already been identified.

Turning to available funding sources for airport development. Overall, Federal funding for airport development has decreased, while reliance on debt and alternative revenues has grown. For example, the annual appropriations for the AIP decreased by $150 million since 2011, and the President's 2016 budget calls for a continued reduction in AIP appropriations from $3.4 billion to $2.9 billion, in conjunction with an increase in the PFC cap.

Speaking of PFCs, the Federal PFC cap of $4.50 per flight segment has not increased since 2000 and, thus, has not kept up with inflation. As the vast majority of airports already have a PFC, total collections have remained flat in recent years. The President's 2016 budget and airport organizations have called for increasing the PFC cap. When we analyzed the potential impact of increasing the PFC, we found, obviously, that it would substantially increase airport revenues, it could also slightly slow the growth of passenger traffic and, therefore, the growth of the trust fund revenues.

Partially in response to declines in Federal support for airport development, airports have sought to increase their non-aviation revenues. These non-aviation revenues account for roughly $5 billion at commercial airports, which is almost as much as these airports' aviation revenues, and far more than PFCs collected at these airports. However, non-aviation revenues may not be available to all airports, especially smaller airports.

Madam Chair, Ranking Member Cantwell, and members of the Subcommittee, in determining the best course for future Federal investment in our national airspace system, Congress has to weigh the interests of all aviation stakeholders, including airports, airlines, and, most importantly, passengers, to help ensure that we not only maintain the safest system in the world, but also have a system capable of efficiently handling the predicted future growth.

Thank you. This concludes my oral statement.

[The prepared statement of Dr. Dillingham follows:]

PREPARED STATEMENT OF GERALD L. DILLINGHAM, PH.D., DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

AIRPORT FUNDING—CHANGES IN AVIATION ACTIVITY ARE REFLECTED IN REDUCED CAPACITY CONCERNS

What GAO Found

Economic factors, since 2007, have led to fewer scheduled commercial flights, a trend more pronounced for some types of airports. These economic factors include not just the volatile fuel prices and the 2007 to 2009 recession but also evolving airline practices, such as airline mergers and the adoption of business models that demonstrate capacity management. For example, as GAO reported in June 2014, the number of scheduled flights at medium-and small-hub airports has declined at least 20 percent from 2007 to 2013, compared to about a 9 percent decline at large-hub airports. General Aviation (GA) has also declined in activity, as measured by the number of GA aircraft operations and hours flown, due to similar economic factors. In recent years, however, passenger growth has rebounded. According to the Federal Aviation Administration's (FAA) projections, U.S. airline passenger growth is predicted to grow 2 percent per year through 2035—a growth rate that is slightly lower than that of past forecasts.

According to FAA estimates, the number of airports that require additional capacity to handle flight operations to avoid delays has declined since 2004. Similarly, the future cost of planned airport development has also declined in recent years. Earlier this year, FAA projected that 6 airports will be capacity constrained in 2020 compared to 41 in the 2004 projection. Even with this improvement, some airports—like those in the New York City area region—will remain capacity constrained, according to FAA. The overall improved capacity situation is also reflected in reduced estimates of future airport-development costs that are eligible for Federal grants. In September 2014, the FAA estimated that for the period 2015 through 2019, airports have about $33.5 billion in planned development projects eligible for Federal Airport Improvement Program (AIP) grants—a 21 percent reduction from the $42.5 billion estimate for the time period 2013 through 2017. The biggest decline in planned development costs among project categories is in capacity projects such as new runway projects. However, an airport industry association estimated planned airport capital project costs, both those eligible and not eligible for AIP, of $72.5 billion for 2015

through 2019, an increase of 6.2 percent from the association's prior 5-year estimate for 2013 through 2017.

As traditional funding sources for airport development have generally declined, airports have increasingly relied on other sources of financing. Specifically, Federal AIP grants and Passenger Facility Charges (PFC) are two primary sources of federally authorized funding for airports. The amount made available for AIP decreased from over $3.5 billion for Fiscal Years 2007 through 2011 to less than $3.4 billion for Fiscal Year 2015. Further the President's 2016 proposed budget calls for additional reductions in AIP, though it would be offset with a proposed increase in the PFC cap, which is currently $4.50 per flight segment. Airports have sought additional opportunities to collect non-aviation revenues. As a result, according to FAA, non-aviation revenue has increased each year from 2008 through 2014. For example, airports have 1) partnered with the private sector to fund airport improvements; 2) identified new business ventures on airport property including the development of commercial retail, leisure activities, and medical facilities; and 3) explored options for privatization.

Madam Chair Ayotte, Ranking Member Cantwell, and Members of the Subcommittee:

I am pleased to be here today to discuss airport capacity and funding issues in light of a changing aviation industry. U.S. airports are important contributors to our economy, providing mobility for people and goods both domestically and internationally, and contributing to the economic success of the communities they serve.

Aviation activity in the United States experienced a decline since operations and passenger activity peaked in 2007, especially in the amount of commercial aircraft operations at U.S. airports. While passenger activity has rebounded close to 2007 levels, the total number of operations has not, leaving many airports with reduced activity. Even so, airport capacity—that is, the maximum number of flight operations an airport can handle over a period of time—is still a problem for some airports, resulting in significant delays for passengers throughout the National Airspace System (NAS). While, according to Federal Aviation Administration (FAA), only nine new commercial service airports have been built in the United States over the last three decades, billions of dollars have been invested in expanding new capacity, such as runways, and in maintaining and upgrading existing airports during that time.[1] However, since 2007, Federal financing sources for airport development have seen small declines, especially when considering inflation. The FAA forecasts that the NAS will need to accommodate more than 1 billion passenger enplanements and almost 57 million aircraft operations annually by 2029—an increase from 756 million enplanements and 49 million aircraft operations in 2014—as FAA forecasts aviation activity to grow by an average of 2 percent per year over the next 20 years.[2] FAA's growth rate for 2015 through 2035 was slightly lower than in previous years.[3] In response to these pressures, airports have sought to increase the statutorily-capped, airport-imposed Passenger Facility Charge (PFC)—which are airport fees collected by the airlines on passenger tickets and remitted to the airports—and have also worked to develop new funding sources.[4]

My statement today focuses on current trends in airport capacity and funding for airport development. Specifically, this statement discusses trends in (1) aviation activity at airports since 2007, (2) airports' capacity needs and planned development costs, and (3) financing for airport development.

This statement draws from our body of work completed from June 2007 through December 2014 examining airport and aviation industry trends. Specific products from this work are cited throughout the statement. The products cited contain descriptions of the methods we used to conduct this work. We have updated our work through April 2015 with FAA's reports and analyses, including FAA's 2015 aviation forecast, the 2015-2019 National Plan of Integrated Airport Systems (NPIAS), and airport funding and cost data spanning from 2004 through March 2015. We also examined the FAA's Fiscal Year 2016 budget proposal and obtained updated information on FAA program activities from public sources. In addition, we have ongoing

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[1] Over the last 30 years, 9 commercial airports have opened—Denver International, Austin-Bergstrom, Northwest Arkansas Regional, and 6 other smaller commercial airports.

[2] See FAA, *FAA Aerospace Forecast: Fiscal Years 2015–2035,* OK 15–0814, (Washington, D.C.: 2015).

[3] See FAA, *FAA Aerospace Forecast: Fiscal Years 2014–2034,* OK 14–0723, (Washington, D.C.: 2014).

[4] 49 U.S.C. 40117.

work examining airport funding and planned capital development for which we plan to issue a report later this year.

More detailed information on our objectives, scope, and methodology for our prior work can be found in the issued reports. We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The United States has the largest, most extensive aviation system in the world with over 19,000 airports ranging from large commercial transportation centers handling millions of passengers annually to small grass airstrips serving only a few aircraft each year. Of these, roughly 3,300 airports are designated by FAA as part of the national airport system and thus are eligible for Federal assistance.

The national airport system consists of two primary types of airports—commercial service airports, which have scheduled service and enplane 2,500 or more passengers per year, and general aviation (GA) airports, which have no scheduled service and enplane fewer than 2,500 passengers annually. FAA divides commercial service airports into primary airports (enplaning more than 10,000 passengers annually) and commercial service nonprimary airports. The 395 current primary airports are classified by hub type—large-, medium-, small-, and nonhub—based on passenger traffic.[5] Passenger traffic is highly concentrated: 88 percent of all passengers in the United States enplaned at the 63 large-or medium-hub airports in 2013 (see fig. 1).[6]

Figure 1: Airport Categories Based on 2013 Enplanements of U.S. Passengers

Hub type	Percentage of annual passenger boardings	Statistics in 2013			
		Minimum number of boardings	Number of boardings	Percentage of total boardings	Number of airports
Large	1% or more	7,389,354	533,244,713	72.2%	30
Medium	At least 0.25%, but less than 1%	1,847,338	118,472,049	16.0%	33
Small	At least 0.05%, but less than 0.25%	369,468	61,171,740	8.3%	71
Nonhub	More than 10,000, but less than 0.05%	10,001	25,526,814	3.5%	261
Commercial Service Nonprimary	At least 2,500 and no more than 10,000	2,500	520,064	0.1%	111

Source: GAO presentation of FAA data. GAO–15–498T

Note: The term "hub" is defined in Federal law to identify commercial service airports as measured by passenger boardings, and the airports are grouped into four hub categories. (49 U.S.C. § 40102 (29), (31), (42), and (34)).

More than 2,900 airports in the national system are designated as GA airports. These airports range from large business aviation and cargo shipment centers that handle thousands of operations a year to small rural airports that may handle only a few hundred operations per year but may provide important access to the national transportation system for their communities.

Generally, the level of aviation activity, whether commercial passenger and cargo or general aviation business and private aircraft, helps to generate the funds that finance airport development. The three primary sources of funding for airport development are Airport Improvement Program (AIP) grants, PFCs, and locally generated revenue. All three sources of funds are linked to passenger aviation activity.

- AIP is supported by the Airport and Airway Trust Fund (AATF), which is funded by airline ticket taxes and fees;[7] GA flights contribute to the AATF through

[5] 49 U.S.C. § 40102(29), (31), (42), and (34).

[6] Commercial service airports are categorized into hub types based on their share of passenger enplanements.

[7] In total, the AATF collected $13.5 billion from various taxes in Fiscal Year 2014 and appropriated $12.6 billion from the trust fund to fund FAA and its various programs, including AIP grants. The uncommitted AATF balance at the end of Fiscal Year 2014 was $5.7 billion. The manner in which the trust fund is funded has not changed significantly since it was established in 1970 and several attempts to implement a user fee system have not been successful. See 26 U.S.C. § 9502.

a tax on aviation jet fuel. Airports included in FAA's NPIAS are eligible to receive AIP entitlement (apportionment) grants based on airports' size and can also compete for AIP discretionary grants.[8] AIP grants can only be used for eligible capital projects, generally those that enhance capacity, safety, and environmental conditions, such as runway construction and rehabilitation, airfield lighting and marking, and airplane noise mitigation.[9] The amount made available in AIP appropriations totaled $3.35 billion in Fiscal Year 2014. The grants generally require matching funds from the local match ranging from 10 to 25 percent depending on the size of the airport and type of project.

- PFCs, another source of funding for airport development projects, are a federally authorized, statutorily-capped, airport-imposed fee of up to a maximum of $4.50 per enplaned passenger per flight segment, and a maximum of $18 per round trip ticket. The PFC is collected by the airline on the passenger ticket and remitted to the airports (minus a small administrative fee retained by the airline).[10] Introduced in 1991, and capped at $3.00 per flight segment,[11] PFC collections can be used by airports for the same types of projects as AIP grants, but also to pay interest costs on debt issued for those projects.[12] Since its inception, landside development projects—including, for example, new terminal projects—and interest payments on debt used to finance eligible projects have each accounted for 34 percent of total PFC collections spent. The maximum level of PFCs was last increased in 2000.[13] Collections totaled almost $2.8 billion in calendar year 2014. According to FAA, 358 commercial service airports are collecting PFCs as of February 2015.
- Airports also fund development projects from revenues generated directly by the airport. Airports generate revenues from aviation activities such as aircraft landing fees and terminal rentals, and non-aviation activities such as concessions, parking, and land leases. Aviation revenues are the traditional method for funding airport development and, along with PFCs, are used to finance the issuance of local tax-exempt debt. Because of the size and duration of some airport development projects—for example, a new runway can take more than a decade and several billion dollars to complete—long-term debt can be the only way to finance these types of projects.

FAA's main planning tool for identifying future airport-capital projects is the NPIAS.[14] FAA relies on airports, through their planning processes, to identify individual projects for funding consideration. According to FAA officials, FAA reviews input from individual airports and state aviation agencies and validates both eligibility and justification for the project over the ensuing five-year period. Because the estimated cost of eligible airport projects that airports plan to perform greatly exceeds the available grant funding available for these projects, FAA uses a priority system based on airport and project type to allocate the available funds.[15] The Airports Council International-North America (ACI–NA), a trade association for airports, also estimates the cost of planned airport capital projects.

While almost all airport sponsors in the United States are states, municipalities, or specially created public authorities, there is still a significant reliance on the private sector for finance, expertise, and control of airport assets.[16] For example, we have previously reported that the majority of airport employees at the Nation's major airports are employed by private sector firms, such as concessionaires, and some airports are also operated by private companies.[17] Pursuant to statutory au-

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[8] NPIAS airports are public-use airports that are deemed by FAA to be important to the national air transportation system and, therefore, eligible for AIP funding. AIP grants generally consist of two types—(1) entitlement funds that are apportioned to airports or states by formula each year based on the number of airport passengers or state population and (2) discretionary funds that FAA approves based on a project's priority.

[9] 49 U.S.C. § 47102(3).

[10] 49 U.S.C. § 40117(b)(4).

[11] Pub. L. No. 101–508, § 9110(2), 104 Stat. 1388–357.

[12] 49 U.S.C. § 40117(b)(64).

[13] Pub. L. No. 106–181, § 105(a), 114 Stat. 71, 83 (2000).

[14] 49 U.S.C. § 47103.

[15] 62 Fed. Reg. 45008 (Aug. 25, 1997).

[16] A sponsor is any public agency or private owner of a public use airport, codified at 49 U.S.C. § 47102(24).

[17] GAO, *Airport Funding: Aviation Industry Changes Affect Airport Development Costs and Financing,* GAO–14–658T (Washington, D.C.: June 18, 2014).

thorization, since 1996, FAA has been piloting an airport privatization program that relaxes certain restrictions on the sale or lease of airports to private entities.[18]

Aviation Activity at Many Airports Has Slowed Since 2007

A variety of factors has had a substantial impact on the airline industry. We reported in June 2014 that economic issues such as volatile fuel prices and the economic recession have affected the industry as have airlines' consolidation and an adoption of business models that focus more on capacity management.[19] For instance, the 2007–2009 recession combined with a spike in fuel prices, helped spur industry mergers and a change in airline business models. Specifically, Delta acquired Northwest in 2008, United and Continental merged in 2010, Southwest acquired AirTran in 2011, and U.S. Airways and American Airlines merged in 2014. Although passenger traffic has generally rebounded as the economy has recovered, the number of commercial aircraft operations has not returned to 2007 levels as airlines are flying larger and fuller aircraft.

In June 2014, we found that one outcome of economic pressures and industry changes had been reductions in U.S. passenger aircraft operations as measured by scheduled flight operations.[20] Many airports lost both available seats and flights since 2007 when aircraft operations last peaked. However, medium-and small-hub airports had proportionally lost more service than large-hub or nonhub airports, as major airlines merged and consolidated their flight schedules at the largest airports. In June 2014, we found—based on our analysis of Department of Transportation's (DOT) data—that there were about 1.2 million fewer scheduled domestic flights in 2007 as compared to 2013 at large-, medium-, small-hub, and nonhub airports.[21] The greatest reduction in scheduled flights occurred at medium-hub airports,[22] which decreased nearly 24 percent from 2007 to 2013, compared to a decrease of about 9 percent at large-hub airports and about 20 percent at small-hub airports. Medium-hub airports also experienced the greatest percentage reduction in air service as measured by available seats[23] (see fig. 2). While 2014 passenger activity as represented by the number of passengers onboard aircraft departing U.S. airports has rebounded nearly back to 2007 levels (down 4 percent), the total number of commercial passenger and cargo aircraft departures (operations) in 2014 is still down 18.5 percent since 2007. Declining operations reduces pressure on airports' airside capacity, while rebounding passenger traffic could put pressure on airports' terminals and gates to accommodate passengers.

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[18] 49 U.S.C. § 41734.

[19] GAO, *Airline Competition: The Average Number of Competitors in Markets Serving the Majority of Passengers Has Changed Little in Recent Years, but Stakeholders Voice Concerns about Competition,* GAO–14–515 (Washington, D.C.: Jun 11, 2014).

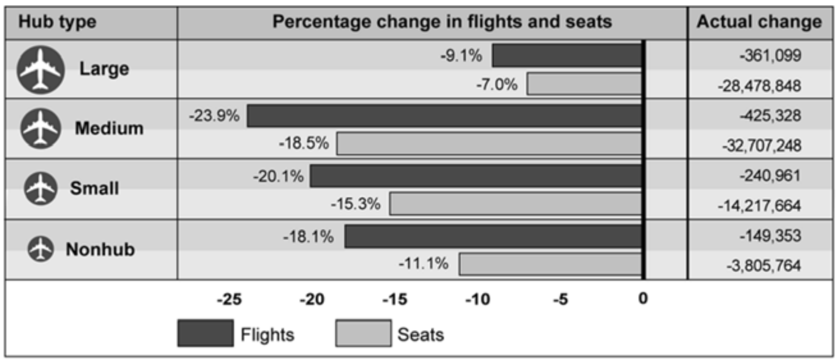
[20] GAO–14–658T.

[21] GAO–14–515.

[22] Medium-hub declines can be partly attributed to airline "dehubbing" after a merger, whereby an airline sharply reduces the number of flights that connect at the airport. For example, Memphis, Cleveland, and Cincinnati all experienced significant loss of traffic after a merger.

[23] GAO–14–515.

Figure 2: Percentage Change in Number of Flights and Available Seats by Airport Category, 2007-2013



Source: GAO analysis of DOT data. GAO–15–498T
Note: The term "hub" is defined in Federal law to identify primary commercial service airports as measured by passenger boardings. These airports are grouped into four hub categories—large-, medium-, small-hub, and nonhub. (49 U.S.C. § 40102(29), (31), (42) and (34)).

We found in June 2014 that air service to small airports, which generally serve small communities, has declined since 2007 due, in part, to volatile fuel costs and declining populations in small communities.[24] According to a study by the Massachusetts Institute of Technology (MIT), regional aircraft—those mostly used to provide air service to small communities—are 40 to 60 percent less fuel efficient than the aircraft used by mainline carriers at larger hub airports. Further, from 2002 to 2012, fuels costs quadrupled and became the airlines' largest expense at nearly 30 percent of airlines' operating costs. While more recently oil prices have dropped, it remains uncertain whether currently low oil prices will continue. The second major factor affecting small community service is declining population in many regions of the country over the last 30 years. As a result, in previous work, we have found that population movement has decreased demand for air service to certain small communities.[25] For example, geographic areas, especially in the Midwest and Great Plains states, lost population from 1980 through 2010, as illustrated in figure 3 below. As a result, certain areas of the country are less densely populated than they were 35 years ago when the airlines were deregulated and the Essential Air Service (EAS) was created.[26] For small communities located close to larger cities and larger airports, a lack of local demand can be exacerbated by passengers choosing to drive to airports in larger cities to access better service and lower fares. The EAS program was created in 1978 to provide subsidies to some small communities that had service at the time of deregulation. We reported last year that EAS has grown in cost but did help stem the declines in service to those communities as compared to other airports.[27]

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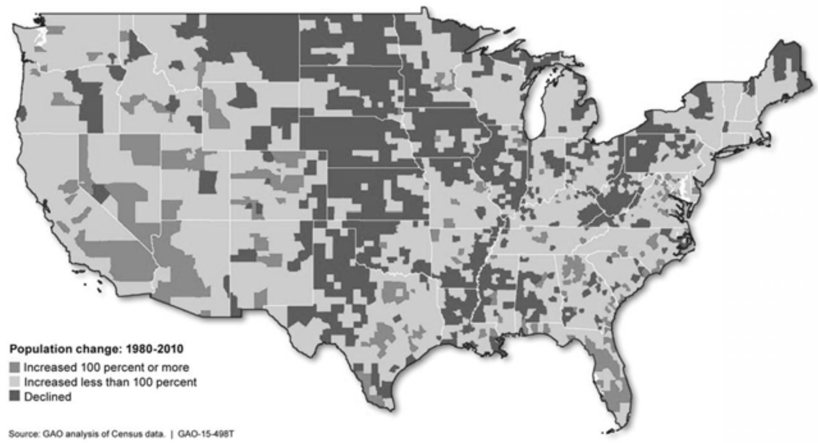
[24] GAO, *Commercial Aviation: Status of Air Service to Small Communities and the Federal Programs Involved,* GAO–14–454T (Washington, D.C.: Apr 30, 2014).
[25] See GAO, *National Transportation System: Options and Analytical Tools to Strengthen DOT's Approach to Supporting Communities' Access to the System,* GAO–09–753 (Washington, D.C.: Jul 24, 2009).
[26] Pub. L. No. 95—504, 92 Stat. 1705 (1978).
[27] GAO–14–454T.

Figure 3: Shift in Population Distributions, from 1980 through 2010



Source: GAO analysis of Census data. | GAO-15-498T

In June 2014, we reported that GA activity has also declined since 2007, particularly affecting airports that rely on general aviation activity for a large share of their revenue.[28] For GA airports—which generate revenues from landing fees, fuel sales, and hangar rents—the loss of traffic can have a significant effect on their ability to fund development. A 2012 MIT study that examined trends for GA operations at U.S. airports with air-traffic control towers indicated that from 2000 to 2010, total GA operations dropped 35 percent.[29] According to the MIT study, the number of annual hours flown by GA pilots, as estimated by FAA, has also decreased over the past decade.[30] Numerous factors affect the level of GA operations including the level of fuel prices, the costs of owning and operating personal aircraft, and the total number of private pilots and GA aircraft. For example, we recently reported on the availability of airline pilots and found that the GA pilot supply pipeline has decreased as fewer students enter and complete collegiate pilot-training programs and fewer military pilots are available than in the past.[31]

Airport Capacity Needs and AIP-Eligible Planned Development Costs Have Mostly Declined

The Projected Number of Future Capacity Constrained Airports Has Declined

Earlier this year, FAA reported on airport capacity needs through 2030.[32] The focus of FAA's analysis was not on the broad range of investments airports make to serve passengers and aircraft, but on the capacity of airports to operate without significant delay. Therefore, the primary focus was on airside capacity, especially runway capacity. To do this, FAA modeled recent and forecasted changes in aviation activity, current and planned FAA investments in air-traffic-control modernization, and airport investments in infrastructure, such as new runways, to determine which airports are likely to be congested or capacity constrained in future years.[33] The FACT3 report is the third such study FAA has conducted, with previous studies in 2004 and 2007 following a similar methodology. The most recent study found that the number of capacity-constrained airports expected in the future has fallen dra-

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[28] GAO–14–658T.

[29] Kamala I. Shetty and R. John Hansman, *Current and Historical Trends in General Aviation in the United States,* Massachusetts Institute of Technology International Center for Air Transportation (August 2012).

[30] Unlike commercial service aviation, GA operators are not required to report flight activity to FAA. To have some idea of the activity, FAA estimates GA flight hours based on estimates derived from its annual survey of GA operators and the Part 135 Activity Survey. We reported in 2012 that the GA survey has long suffered from methodological and conceptual limitations, even with FAA's efforts to improve it over the years.

[31] GAO, *Aviation Workforce: Current and Future Availability of Airline Pilots,* GAO–14–232 (Washington, D.C.: Feb 28, 2014).

[32] FAA, FACT3: Airport Capacity Needs in the National Airspace System, (January 2015).

[33] Congested airports are defined as having an average delay per flight of 7 minutes or more and capacity-constrained as having an average delay per flight of 15 minutes or more delay per flight.

matically from the number projected in earlier reports, referred to as FACT1 and FACT2 (see fig. 4). For example, in 2004, FAA projected that 41 airports would be capacity constrained by 2020 unless additional investment occurred. However, in the 2015 report, FAA projected that 6 airports will be capacity constrained in 2020. FAA attributed this improvement to changes in aviation activity, investment in air-traffic-control modernization, and the addition of airport runways.

Figure 4: Comparison of Capacity Constrained Airports Since 2004

Airport	Location identifier	FACT1 2004	FACT1 2013	FACT1 2020	FACT2 2007	FACT2 2015	FACT2 2025	FACT3 2011	FACT3 2020	FACT3 2030
Albuquerque International Sunport	ABQ		●	●						
Hartsfield - Jackson Atlanta International	ATL	●	◑	●			●	●	●	●
Bradley International	BDL			●						
Birmingham-Shuttlesworth International	BHM			●						
General Edward Lawrence Logan International	BOS			◑			◑			
Bob Hope	BUR		●	●						
Baltimore/Washington International Thurgood Marshall	BWI		◑	◑						
Charlotte/Douglas International	CLT		◑	◑		◑	◑			●
Cincinnati/Northern Kentucky International	CVG		◑	◑						
Ronald Reagan Washington National	DCA			◑						
Denver International	DEN			◑						
Dallas/Fort Worth International	DFW			◑						
Detroit Metropolitan Wayne County	DTW			◑						
Newark Liberty International	EWR	●	●	●	●	●	●	●	●	●
Fort Lauderdale/Hollywood International	FLL		●	◑	●	◑	●			◑
William P Hobby	HOU		●	●		◑	◑			
Washington Dulles International	IAD			◑			◑			
George Bush Intercontinental/Houston	IAH		◑	◑		◑	◑			●
Long Island MacArthur	ISP			●						
John F Kennedy International	JFK		●	◑		◑	●	●	●	●
McCarran International	LAS		◑	●		◑	●			●
Los Angeles International	LAX		◑	◑			◑			
La Guardia	LGA	●	●	●	●	●	●	●	●	●
Long Beach /Daugherty Field/	LGB		●	●		●	●			
Chicago Midway International	MDW		◑	●		◑	●			
Memphis International	MEM			◑						
Miami International	MIA			◑						
Minneapolis-St Paul International/Wold-Chamberlain	MSP		◑	◑			◑			
Metropolitan Oakland International	OAK		●	●		●	●			
Ontario International	ONT			●						
Chicago O'Hare International	ORD	●	●	◑	●	◑	◑			◑
Palm Beach International	PBI		●	◑		◑	◑			
Philadelphia International	PHL	●	●	◑		●	●	●	●	◑
Phoenix Sky Harbor International	PHX		◑	◑			●			●
Theodore Francis Green State	PVD			●		◑	◑			
San Diego International	SAN						●			
San Antonio International	SAT		●	●		◑	◑			
Boeing Field/King County International	SEA			◑			◑			
San Francisco International	SFO						●		◑	●
Salt Lake City International	SLC			◑						
John Wayne Airport-Orange County	SNA		●	●		●	●			
Lambert-St Louis International	STL		◑	◑						
Tucson International	TUS		●	●		◑	◑			

Legend

◑ Constrained in reference case, but unconstrained if planned improvements are implemented

● Constrained even after all planned improvements are implemented; additional capacity enhancement is needed; or constrained in base year.

No Symbol Not capacity constrained

Source: FAA. GAO–15–498T

Note: FAA has published three reports—FACT 1 (2004), FACT2 (2007), and FACT3 (2015)—that examined current and future capacity needs throughout the national airspace system.

As noted above, FAA's most recent capacity report forecasts that 6 airports will need additional investment to improve capacity by 2020, 5 of which are expected to remain capacity constrained even if planned investments are made (See Table 1). Five of the airports identified in the FAA analyses—including the 3 in the New York City area—have experienced capacity constraints since 2004 when FAA first published its analysis. These 6 airports continue to have among the worst on-time performance of U.S. airports. In our May 2010 report on air-traffic-control delays, we identified these same 6 airports plus Chicago O'Hare as being responsible for 80 percent of all departure delays in the NAS.[34] Since 2001, the $8.7-billion Chicago O'Hare modernization program has helped to increase capacity and reduce congestion there.

[34] GAO, *National Airspace System: Setting On-Time Performance Targets at Congested Airports Could Help Focus FAA's Actions,* GAO–10–542, (Washington, D.C.: May 26, 2010).

Table 1.—Six Airports Identified by the Federal Aviation Administration as Needing Additional Capacity in 2020

Airport name (location identifier)	No further improvements beyond near-term NextGen	After planned improvements with midterm NextGen and runways
Hartsfield-Jackson Atlanta International (ATL)	X	X
Newark Liberty International (EWR)	X	X
John F. Kennedy International (JFK)	X	X
LaGuardia (LGA)	X	X
Philadelphia International (PHL)	X	X
San Francisco International (SFO)	X	
Total	*6*	*5*

Source: FAA FACT3 Report/GAO–15–498T
Note: NextGen is an advanced technology air-traffic management system that FAA anticipates will replace the current ground-radar-based system.

As we concluded in our April 2013 report, an important factor to reducing congestion is air-traffic-control modernization. FAA is collaborating with other Federal agencies and the aviation industry on the implementation of the Next Generation Air Transportation System (NextGen), a complex, multi-year, multi-billion dollar, and incremental process to implement an advanced technology air-traffic management system that will eventually replace the current ground-radar-based system. NextGen capabilities are expected to help airports accommodate the demand for additional capacity in a safe, efficient, and more environmentally responsible manner. While FAA anticipates that NextGen improvements will keep airport delays from getting worse than would be expected without the improvements, the transformation to NextGen will depend on the ability of airports to handle greater capacity.[35] For example, the improved efficiency in runway and airspace use that is projected to result from some NextGen technologies may require more capacity in other areas, such as taxiways, terminal gates, or parking areas for aircraft.

FAA's *NextGen Priorities Joint Implementation Plan* released in October 2014 identified two NextGen improvements that FAA asserts would help increase airport capacity. The *Joint Implementation Plan* summarizes the high-level commitments that FAA and the aviation community collectively agreed to accomplish in the next 3 years and provides a timeline of capability milestones and locations.[36] The first improvement under the plan is to improve airport surface operations, including the improved data sharing and coordination as well as surface-metering methods that help efficiently queue airplanes to better predict hourly departure demand and assigning airlines departure slots in a queue based on the data. For example, an MIT report on metering programs at JFK airport in New York found that metering significantly reduced taxi times, fuel burned, and carbon emissions.[37] The second improvement agreed to in the plan is to increase the use of parallel runway operations. In April 2013, we concluded that revised standards for using closely spaced parallel runways and integration of airborne-and surface-traffic management will be important to ensuring NextGen benefits are realized, since benefits from the various capabilities are interdependent.[38]

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[35] GAO, *FAA Has Made Some Progress in Midterm Implementation, but Ongoing Challenges Limit Expected Benefits,* GAO–13–264 (Washington, D.C.: Apr 8, 2013).

[36] The high-priority capabilities also include implementing performance based navigation procedures and data communication improvements. The data communications program—referred to as DataComm—has an approved cost, schedule, and performance baseline with a longer timeline.

[37] Alex Nakahara and Tom G. Reynolds, Massachusetts Institute of Technology Lincoln Laboratory Thomas White, Chris Maccarone, and Ron Dunsky, PASSUR Aerospace, Stamford, CT. *Analysis of a Surface Congestion Management Technique at New York JFK Airport.*

[38] GAO–13–264.

The FAA Modernization and Reform Act of 2012 (2012 Act)[39] included a number of provisions aimed at accelerating NextGen benefits through the creation of performance-based navigation (PBN) procedures, such as following precise routes that use the Global Positioning System that can save airlines and other aircraft operators money through reduced fuel and flight time. As part of the 2012 Act, FAA was granted a categorical exclusion from environmental review for PBN procedures in cases that could demonstrate measurable reductions in fuel consumption, carbon dioxide emissions, and noise, on a per-flight basis, as compared to aircraft operations that follow existing procedures.[40] However, our April 2013 report found that, according to FAA, potential noise impacts are measured cumulatively for all flights not on a per-flight basis. In 2014, FAA sought public comments on how to implement this exclusion, and according to an FAA official, the agency plans to issue a notice later this year on how to apply this new categorical exclusion.[41]

Some airports remain capacity constrained despite significant investment and operational improvements. For example, despite investments in capacity, operational improvements, and an airspace redesign for the entire New York metroplex, the three New York area airports remain capacity constrained.[42] As we found in July 2008, these constraints impose a considerable economic burden on the region, while the delays that emanate from those airports propagate throughout the NAS.[43] FAA imposed operating authorizations to take-off or land, called slot controls, at those airports in the late 1960s to reduce airport and system delays.[44] At times when slot controls have been relaxed or suspended as a result of statutory changes and FAA actions, delays have ballooned. For example, in 2000, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century required the High Density Rule to be phased out at JFK and LaGuardia by January 1, 2007,[45] and as a result, airlines scheduled more flights at LaGuardia than the airport could handle without unreasonable delays. FAA subsequently issued temporary orders limiting scheduled operations at LaGuardia, JFK, and Newark, which have been in place since 2007.

In our 2012 report on slot controls, we found problems with certain aspects of the slot control rules, including FAA's management of them at the New York City area airports.[46] These problems contribute to not using existing capacity or using it inefficiently at these airports. This situation may hinder the ability of some new entrant airlines to obtain slots that they could use to offer new service destinations and lower fares.[47] Because opportunities to build new capacity at these airports are limited, optimizing the available capacity is paramount. We made six recommendations to FAA and the DOT to improve the management of the slots to maximize the use of available capacity at these airports, enhance competition through greater airline access to slots,[48] and enhance transparency of slot information. DOT partly or fully concurred with the recommendations, but has not yet fully addressed them. On January 8, 2015, DOT proposed new rules to replace the temporary FAA orders for managing the slots at these airports and comments are now being submitted to DOT and are currently due May 8, 2015. The new rules, as proposed, do not provide for increased capacity at these airports, keeping hourly slot limits at the same level and introducing a new daily slot limit.[49]

Estimated AIP-Eligible Development Costs for Next 5 Years Are Lower, Though Estimates of Overall Development Costs Have Increased

In the September 2014 NPIAS, FAA estimated that airports have roughly $33.5 billion in planned development projects for the period 2015 through 2019 that are

[39] Pub. L. No. 112–95 § 213, 126 Stat. 11, 46.

[40] A Federal action may be categorically excluded—thus exempting it from further Federal environmental review—if, based on agency experience, the agency has determined that the proposed action is within a category of actions that do not individually or cumulatively have a significant effect on the environment and there are no extraordinary circumstances in which a normally excluded action may have a significant environmental effect. See 40 C.F.R. § 1508.4.

[41] 79 Fed, Reg. 49141 (Aug. 19, 2014).

[42] GAO, *FAA Airspace Redesign: An Analysis of the New York/New Jersey/Philadelphia Project,* GAO–08–786 (July 31, 2008).

[43] GAO–08–786.

[44] 34 Fed. Reg. 2603 (Feb. 26, 1969).

[45] Pub. L. No. 106–181, 231(b)(2), 114 Stat. 108 (2000).

[46] GAO, *Slot-Controlled Airports: FAA's Rules Could Be Improved to Enhance Competition and Use of Available Capacity,* GAO–12–902, (Washington, D.C.: Sep 13, 2012).

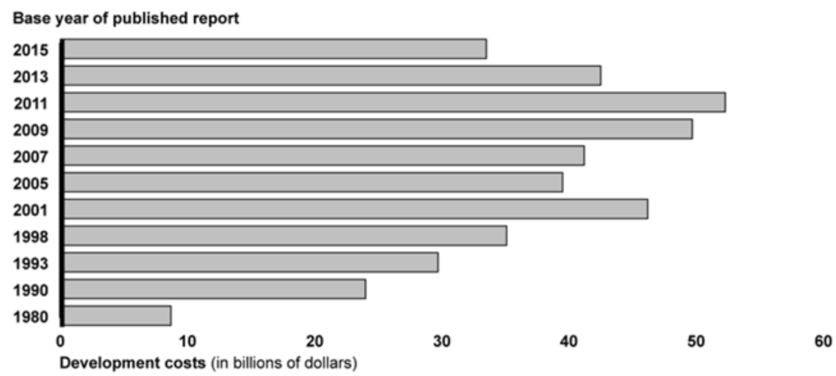
[47] GAO–12–902.

[48] Pub. L. No. 106–181, 231(b)(2), 114 Stat. 108 (2000).

[49] Slot Management and Transparency for LaGuardia Airport, John F. Kennedy International Airport, and Newark Liberty International Airport, 80 Fed. Reg. 1274 (Jan. 8, 2015).

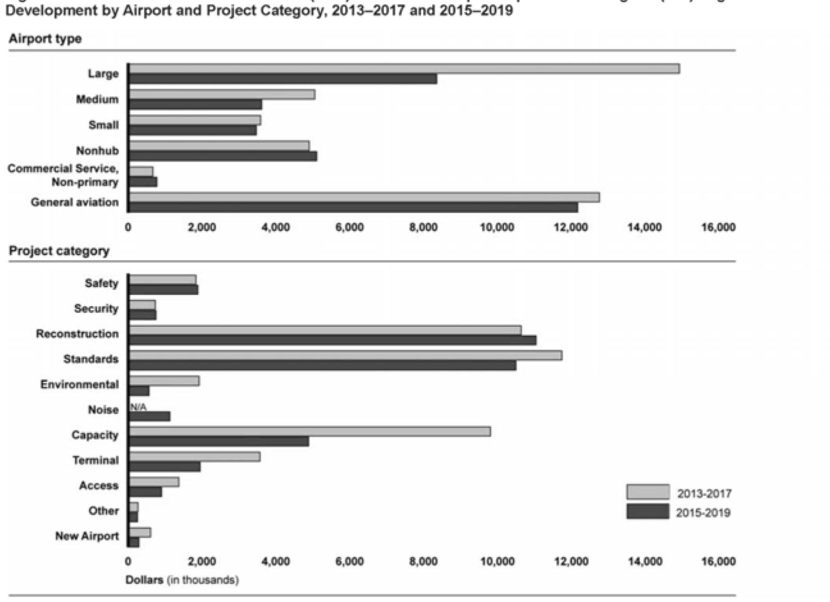
eligible for Federal support in the form of AIP grants.[50] This estimate is roughly 21 percent less than FAA's previous estimate of $42.5 billion for the period 2013 through 2017 (see fig. 5). FAA reported a decrease in estimated needs for most hub-airport categories and all types of airport development except projects to reconstruct or rehabilitate airport facilities, security related infrastructure projects, and safety projects (see fig. 6). Notably, according to FAA, planned capacity-related development decreased to $4.9 billion, a 50-percent decrease. Planned terminal-related development also saw a major decline, down by 69 percent from the previous estimate.

Figure 5: The Federal Aviation Administration's (FAA) estimates of Airport Improvement Program (AIP) Eligible Planned Development



Source: GAO presentation of FAA data. GAO–15–498T
Note: Dollars expressed in the year of estimate.

Figure 6: Federal Aviation Administration's (FAA) Estimates of Airport Improvement Program (AIP)-Eligible Planned Development by Airport and Project Category, 2013–2017 and 2015–2019



Source: GAO presentation of FAA data. GAO–15–498T
Note: Dollars expressed in the year of estimate. N/A means not applicable.

[50] National Plan of Integrated Airport Systems for 2015–2019, FAA, September 2014. AIP and PFC project eligibility standards are similar; however, some PFC uses (such as debt service) are not eligible for AIP.

The ACI–NA also estimated airports' planned development for the 2015 through 2019 period for projects both eligible and not eligible for AIP funding. According to ACI–NA, the total estimated planned-development cost for 2015 through 2019 is $72.5 billion, more than twice FAA's estimate for just AIP eligible projects.[51] ACI–NA's estimate increased 6.2 percent over its prior estimate of $68.7 billion for the prior 2013–2017 estimating period. According to ACI–NA, the difference in the respective estimates is attributable to ACI–NA's including all projects rather than just AIP-eligible projects like the NPIAS, as well as including projects with identified funding sources, which the NPIAS excludes. For example, ACI-NA's estimate includes AIP-ineligible projects such as parking facilities, airport hangars, and commercial space in large passenger terminal buildings. ACI–NA attributed more than half of the development costs to the need to accommodate growth in passenger and cargo activity. ACI-NA estimated that 36 percent of planned development costs were for terminal projects. We are currently analyzing FAA and ACI–NA's most recent plan estimates and will be reporting later this year on the results.

Federal Support for Airport Development Has Decreased, While Debt Levels May Leave Little Room for New Development at Some Airports

Federal Funding for Airport Development Has Declined in Recent Years

In Fiscal Year 2015, Congress made $3.35 billion available in appropriations acts for AIP funding, a reduction from the annual appropriations of $3.52 billion for Fiscal Years 2007 through 2011.[52] The President's 2016 budget proposal calls for a reduction in annual AIP funding to $2.9 billion in conjunction with an increase in the PFC cap. As we testified in June 2014, if amounts made available in appropriations acts for AIP fall below the $3.2 billion level established in the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century of 2000[53] and no adjustments are made, under the 2000 Act the amount of AIP entitlement grants would be reduced, but more AIP discretionary grants could be made as a result. The larger amount of AIP funding that would go to discretionary grants would give FAA greater decision-making power over the development projects that receive funding.

Previous proposals have considered changing how GA airports are allocated their share of AIP funds, which represented approximately one-quarter of total AIP funds in Fiscal Year 2014. For example, in 2007, the Administration's FAA reauthorization proposal suggested changing the funding structure for GA airports. Specifically, FAA would have tiered GA airports' funding based on level of and type of aviation activities. AIP entitlement funding would then range, based on the tier, up to $400,000. While this proposal was not adopted, FAA recently undertook an exercise to classify GA airports based on their activity levels.[54] In 2014, FAA reported that 281 airports remained unclassified because they did not meet the criteria for inclusion in any of the new categories, thus having no clearly defined Federal role.[55] This figure included 227 publicly owned airports with few or no based aircraft. According to the most recent NPIAS report, many of these 227 airports have received AIP funding in the past and may be considered for future funding if and when their activity levels meet FAA's criteria for inclusion.

We also found that the Federal PFC cap of $4.50 has not increased since 2000 and thus has not kept pace with inflation; accordingly, total collections have remained flat since 2007.[56] PFC collections peaked in 2006 at over $2.93 billion and in 2014 totaled $2.78 billion. Approximately 90 percent of PFC collections go to large-and medium-hub airports, but large-and medium-hub airports collecting PFCs must return a portion of their AIP entitlement grants, which are then redistributed

[51] ACI–NA reported $75.7 billion over 5 years, or $15.1 billion per year but that included an inflation adjustment.

[52] Congress sets an amount FAA can obligate during a Fiscal Year in appropriations acts. For Fiscal Year 2009, in addition to the amount made available of $3.5 billion, AIP received appropriation of $1.1 billion under the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111–5, 123 Stat. 115, 205 (2009). The amount made available for each Fiscal Year includes amounts for AIP grants to airports as well as for other components of the AIP program. For example, of the $3.515 billion made available for the AIP program in Fiscal Year 2010, $3.4 billion was for AIP grants, $93.4 million was for administrative expenses of the FAA's Office of Airports, $22.5 million was for the Airport Technology Research Program, $15 million was for the Airport Cooperative Research Program, and $6 million was used for the Small Community Air Service Development Program.

[53] 49 U.S.C. § 47114.

[54] In a 2012 report, FAA categorized GA airports as National (84), Regional (467), Local (1,236), and Basic (668). In addition, another 497 GA airports were unclassified. Federal Aviation Administration, *General Aviation Airports: A National Asset (ASSET 1),* May 2012.

[55] FAA, *ASSET 2: In-Depth Review of 497 Unclassified Airports,* March 2014.

[56] GAO, *Commercial Aviation: Raising Passenger Facility Charges Would Increase Airport Funding, but Other Effects Less Certain,* GAO–15–107 (Dec 11, 2014).

to smaller airports through the AIP.[57] As previously noted, 68 percent of PFCs have been used to pay for landside development (terminals) and interest charges on debt. In addition, many airports' future PFC collections are already committed to pay off debt for past projects, leaving little room for new development. For example, at least 50 airports have leveraged their PFCs through 2030 or later, according to FAA data.

The President's Fiscal Year 2016 budget proposal and airports have called for increasing the PFC cap to $8—which is intended to account for inflation since 2000, when the maximum PFC cap was last raised—and eliminate AIP entitlements for large-hub airports.[58] Earlier this year, we reported on the effects of increasing PFCs on airport revenues and passenger demand.[59] Specifically, we found that increasing the PFC cap would significantly increase PFC collections available to airports under the three scenarios we modeled but could also marginally slow passenger growth and therefore the growth in revenues to the AATF. We modeled the potential economic effects of increased PFC caps for Fiscal Years 2016 through 2024 as shown in figure 7 below. Under all three scenarios, trust fund revenues, which totaled $12.9 billion in 2013 and fund FAA activities, would likely continue to grow overall based on current projections of passenger growth; however, the modeled cap increases could reduce the growth in total AATF revenues by roughly 1 percent because of reduced passenger demand if airlines pass the full amount of the PFC increase along to consumers in the form of increased ticket prices.

Figure 7: Estimated Change in Passenger Facility Charge (PFC) Collections Available to PFC Approved Airports and Associated Changes to Airport and Airway Trust Fund (AATF) Revenues, 2016-2024 (Annual Dollars in Millions)

Scenario	Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Current PFC collections baseline estimate										
$4.50 cap	PFC	3,073	3,149	3,225	3,301	3,373	3,437	3,498	3,561	3,628
Estimated changes to PFC baseline and AATF revenues										
$6.47 cap ($4.50 cap adjusted for CPI)	PFC	+1,341	+1,375	+1,409	+1,444	+1,476	+1,505	+1,533	+1,561	+1,592
	AATF	-90	-93	-95	-97	-99	-100	-102	-103	-105
$8.00 cap (President's budget)	PFC	+2,364	+2,424	+2,485	+2,546	+2,604	+2,655	+2,705	+2,756	+2,810
	AATF	-161	-164	-168	-172	-175	-178	-180	-183	-186
$8.50 cap, CPI adjusted (ACI/AAAE proposal)	PFC	+2,696	+2,886	+3,093	+3,316	+3,551	+3,787	+4,033	+4,291	+4,562
	AATF	-184	-196	-210	-225	-240	-255	-271	-287	-304

Definitions
- CPI=Consumer Price Index
- ACI-NA/AAE=Airports Council International-North America/American Association of Airport Executives
- AATF= Airport and Airway Trust Fund

Source: GAO analysis of DOT data. GAO–15–498T

Note: Model assumptions are (1) an elasticity rate of -0.8; (2) airlines would pass the total fee increase to passengers through higher ticket prices; and (3) airports that currently impose a PFC would raise it to the maximum allowed in the first year. ACI–NA/AAAEE did not specify which inflation index it used in its proposal; therefore, we used the CPI as it is the Federal inflation-index standard.

As with any modeling exercise, these projected effects depend on key assumptions regarding consumers' sensitivity to a fare increase caused by an increase in the PFC, whether airlines would pass on the full increase to consumers, and the rate at which airports would adopt the increased PFC cap. First, there is uncertainty associated with demand analysis, because the estimated reductions in air travel are highly dependent on the assumptions about consumers' sensitivities to changes in price. Second, we assumed that the entire PFC increase would be fully passed on to consumers and not absorbed by the airlines by adjusting their base fares downward. Airline statements and experts with whom we spoke largely supported our assumption that airlines would attempt to pass the PFC increase on to consumers.

[57] Medium-and large-hub airports return 50 percent of their AIP entitlement funds if their PFC level is $3.00 or less and 75 percent of their entitlement if their PFC level is above $3.00 (49 U.S C § 47114(f)). FAA's Small Airport fund—for use by small-hubs, nonhubs, general aviation, and reliever airports—receives 87.5 percent of the total returned amount, and the other 12.5 percent goes toward AIP discretionary funds (49 U.S.C § 47116).

[58] Airport trade associations, the ACI–NA and the American Association of Airport Executives, have made prior proposals to raise the PFC cap to $8.50 with periodic adjustments for inflation.

[59] GAO, Commercial Aviation: Raising Passenger Facility Charges Would Increase Airport Funding, but Other Effects Less Certain, GAO–15–107, (Washington, D.C.: Dec 11, 2014).

Finally, we assumed that airports that currently impose a PFC would raise it to the maximum allowed amount in the first year. While all airports likely would not immediately raise their PFC level in the first year, based on near universal adoption of the current maximum by nearly all of the largest airports, it is not unrealistic to expect that most airports would be at the maximum by 2024.

Airlines have historically opposed PFC increases because they assert that higher ticket prices could reduce demand for air travel and, therefore, airline revenues. While we have reported that a PFC increase could marginally slow passenger demand, another issue in this debate is how increasing PFCs could affect the airlines' ability to influence airport investment decisions.[60] PFCs were introduced in 1991, in part, to give airports greater independence from airlines over investment decisions. While airports must notify and consult with the airlines on how they spend PFCs, as long as FAA approves, airlines cannot block these decisions. Airlines can choose to serve other airports, however, so airports have an incentive to listen to airline concerns. However, all else being equal, an increase in PFC collections would provide airports with more influence over airport infrastructure decisions while a lower PFC would make airports more reliant on airlines to help fund local capital-funding decisions.

Congress directed GAO to study alternative methods to collect PFCs as part of the last Reauthorization.[61] As part of our work for this report, we interviewed officials from airports and airlines. Officials from some of these airports and airlines said they would consider removing airport fees from the airline ticket altogether and allowing airports to collect fees themselves. We examined alternative collection mechanisms, such as airport kiosks and internet-enabled devices such as smartphones that could be used to collect PFCs separate from the ticket. We determined that none of these alternatives were better than the current method. Specifically, we determined that each of the alternatives negatively impacted the passenger experience and the transparency of fees relative to the current method.[62] While airports have generally supported the current collection method, some told us they might consider using an alternative method if it allowed them to remove the PFC cap.

Airports Rely on a Variety of Local Revenues, Which Have Increased since 2004

We also found in 2014 that to help fund airport development, commercial service airports increasingly rely on a variety of locally generated revenues.[63] Airports receive nearly as much non-aviation revenue as revenue from passengers and aircrafts. According to FAA, in 2014, at commercial service airports for which they have data, aviation revenues totaled $5.2 billion, while nonaviation revenues were just over $5 billion.[64] According to ACI–NA, non-aviation revenue has grown faster than passenger growth since 2004, over 4 percent on average for non-aviation revenue versus 1.5 percent average growth in passenger boardings over the same period. Further, some airports have developed unique commercial activities with stakeholders from local jurisdictions and the private sector to help develop airport properties into retail, business, and leisure destinations.[65] Some examples include:

- *Non-aviation development on airport property:* Airports have turned to an increasing range of unique developments on airport property, including high-end commercial retail and leisure activities, hotels and business centers, and medical facilities for non-aviation revenues.[66] For example, airports in Denver, Miami, and Indianapolis have built cold storage facilities on airport property in an effort to generate revenue by leasing cold storage space to freight forwarders and businesses that transport low-volume, high-valued goods, including pharmaceuticals, produce, and other time-sensitive or perishable items.
- *Public-private partnerships:* Airports can fund airport improvements with private sector participation. Public-private partnerships, involving airports and developers, have been used to finance airport development projects without in-

[60] GAO–15–107.
[61] Pub. L. No. 112–95, § 112, 126 Stat. 11, 18 (2012).
[62] GAO, *Transportation: Alternative Methods for Collecting Passenger Facility Charges,* GAO–13–262R, (Washington, D.C.: Feb 14, 2013).
[63] GAO–14–658T.
[64] FAA, CATS financial reports of 442 commercial service airports.
[65] Airport-centric development—development at and around airports, in part, to generate non-aviation revenue and stimulate regional development—has taken place at airports around the world. This form of development has also been referred to as aerotropolis or airport-city. For more information on factors that may support this form of development, see: GAO, *National Airspace System: Airport-Centric Development,* GAO–13–261 (Washington, D.C.: March 28, 2013).
[66] GAO–13–261.

creasing the amount of debt already incurred by airports. For example, the Port Authority of New York and New Jersey has recently received responses for its request for proposals for the private sector to demolish old terminal buildings and construct, partially finance, operate, and maintain a new Central Terminal Building for LaGuardia Airport in New York City.

- *Privatization:* FAA's Airport Privatization Pilot Program (APPP), which was established in 1997 to reduce barriers to airport privatization that we identified in 1996, has generated limited interest from the public and private sectors.[67] As we reported in November 2014, 10 airports have applied to be part of the pilot program and one airport—San Juan Luis Muñoz Marín International Airport in Puerto Rico—has been privatized (see fig. 8).[68] In our report, we noted that several factors reduce interest in the APPP—such as higher financing costs for privatized airports, the lack of state and local property tax exemptions, and the length of time to complete a privatization under the program. Public sector airport owners have also found ways to gain some of the potential benefits of privatization without full privatization, such as entering airport management contracts and joint development agreements for managing and building an airport terminal.

Figure 8: Airports That Applied to the Airport Privatization Pilot Program

Source: GAO analysis of FAA data. GAO–15–498T

In conclusion, last year commemorated one century since the first commercial airline flight,[69] and in that relatively short time span commercial aviation has grown at an amazing pace to become an ubiquitous and mature industry in the United States. While commercial aviation still has many exciting growth prospects for its second century, it also faces many challenges—among them how to ensure that the aviation system can accommodate millions of flights and hundreds of millions of passengers every year in the midst of shifting aviation activity and constrained Federal funding. Despite recent declines in airport operations, it remains important for airports to be maintained as well as upgraded to maintain safety and accommodate future growth. Declines in airport operations have reduced demands on AIP, but rebounded passenger activity could continue to put pressure on PFCs to finance terminal and other projects. Developing airports will require the combined resources of federal, state, and local governments, as well as private companies' capital and expertise. Effectively supporting this development involves focusing Federal resources on FAA's key priorities of maintaining the world's safest aviation system and providing adequate system capacity, while allowing sufficient flexibility for local airport sponsors to maximize local investment and revenue opportunities. In deciding the best course for future Federal investment in our national airport system, Congress is faced with weighing the interests of all aviation stakeholders, including

[67] GAO/RCED–97–3.See 49 U.S.C. § 47134.

[68] GAO, *Airport Privatization: Limited Interest despite FAA's Pilot Program,* GAO–15–42, (Washington, D.C.: Nov 19, 2014). Stewart Airport in New York was privatized in 1999 under a 99-year lease to a private sector operator, but in 2007 the lease was assumed by the Port Authority of New York and New Jersey after the private sector operator ceased to operate the airport.

[69] On Jan. 1, 1914, the St. Petersburg-Tampa Airboat Line became the world's first scheduled passenger airline service, operating between St. Petersburg and Tampa, Fla. It was a short-lived endeavor—only 3 months.

airports, airlines, other airport users, and most importantly passengers, to help ensure a safe and vibrant aviation system.

Madam Chair Ayotte, Ranking Member Cantwell, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

Senator AYOTTE. Thank you, Dr. Dillingham.

I would—now would like to call Ms. Sharon Pinkerton, Senior Vice President for Legislative and Regulatory Affairs at Airlines for America.

Thank you, Ms. Pinkerton.

STATEMENT OF SHARON PINKERTON, SENIOR VICE PRESIDENT, LEGISLATIVE AND REGULATORY AFFAIRS, AIRLINES FOR AMERICA

Ms. PINKERTON. Thank you for the opportunity to participate in the Committee's examination of airport financing.

If you take one thing away from today's hearing, we want you to know that we support airport infrastructure investments. These investments are critical to ensuring that our aviation system is developed in a way that meets the needs of passengers, encourages travel and tourism, and helps support the incredible benefits that the aviation industry delivers every day across our economy.

One important benefit is the service we provide to small, medium, and large communities. As airlines have recovered from the bankruptcies of the past decade and become more financially stable, we've reinvested profits back into adding service, hiring back some of the 160,000 employees we had to lay off, buying $100 billion worth of new environmentally friendly and customer friendly aircraft; and, importantly for this hearing, we're investing money into airports. All of these investments are to improve the customer experience.

So, the issue here today is not whether we should invest—because we agree there's a need—it's really about how those investments are financed. And, given the plentiful and robust variety of funding sources for airport financing, raising a passenger tax is not the best way to move forward. After all, all airports have investment-grade credit ratings giving them easy access to cheap financing, which is the number-one way airport projects have always been funded. In fact, airlines and airports have a history of partnering together on significant improvements. Since 2008, over $70 billion of capital projects have been completed, are underway, or have been approved at the Nation's largest 30 airports alone, and development is robust at small airports, as well.

This investment has enabled new runways and terminals, better facilities and more amenities. Some of the examples you might be familiar with: multimillion-dollar terminal renovations at Sioux Falls, all done without a PFC; Sea-Tac, you're going to hear more about incredible investment there, but also in smaller communities in Washington; Wichita, Kansas, is expecting a new $160 million terminal that's slated to open in May 2015, along with a $40 million parking and rental car facility; and, of course, Reno—in 2013, they unveiled a $27 million gateway project which added 11,000 square feet to their terminal. And all of this investment, the $70 billion, occurred with existing financing resources.

The fact is that airports across our country are in incredibly strong financial condition and already receive billions from passengers and the government, alike. In 2013, airports collected a record $24.5 billion. That's record amounts of money from airlines, $10 billion in landing fees and rents, record amounts in what I like to call "airport ancillaries"; $8.2 billion in concessions; $2.8 billion from PFCs; $3.4 billion from AIP. The point is, airports have several tools in the toolbox to finance airports, and the PFC is only one of those tools.

In addition, U.S. airports have more than $11.4 billion in cash in the bank. I do not know many businesses, much less families, that have a year's worth of liquidity in the bank. However, if airports were to need more money, they can easily access the bond market. Airports, frankly, are flush with cash and have numerous available pools of funding, which means projects can easily be financed without raising taxes.

There's one more aspect of the aviation system's resources that's notable. While you all are trying to fix a bankrupt Highway Trust Fund, the Aviation Trust Fund is flush with cash. It has a $6 billion unobligated balance, its highest level since 2001.

So, thank you for allowing us to testify on behalf of our member companies and our customers. I'll conclude like I began. We support airport infrastructure. We're committed to it. And we believe it can be done without increasing taxes on passengers. We're putting our money on the table so that our passengers do not have to.

Thank you.

[The prepared statement of Ms. Pinkerton follows:]

PREPARED STATEMENT OF SHARON PINKERTON, SENIOR VICE PRESIDENT, LEGISLATIVE AND REGULATORY AFFAIRS, AIRLINES FOR AMERICA

Thank you for the opportunity to participate in the Committee's examination of airport financing as part of your deliberations on the next Federal Aviation Administration (FAA) reauthorization. I'm not sure if it was planned this way, but it is very apropos we are having this discussion one week after tax day.

If you take one thing away from this hearing, we want you to know that airlines strongly support necessary investments in airports across the country. These investments are critical in ensuring that our aviation system is developed in a way that supports the incredible economic benefits the aviation industry delivers.

In fact, airlines and airports have a history of partnering on significant improvements. Since 2008, over $70 billion of capital projects have been completed, are underway, or have been approved at the Nation's 30 largest airports alone, and development is robust at smaller airports across the country as well. This funding enabled new runways and terminals, better facilities and more amenities for passengers. All of this investment has occurred without any new taxes.

Given the current abundance of resources in the aviation system, it takes a bit of chutzpah for our airport partners to advocate for a historic tax hike on the traveling public through a nearly 90 percent increase in the PFC airport tax. It simply is not necessary since significant airline investments combined with the existing streams of resources and funding provide airports with the funds for improvement projects needed today and in the future.

The fact is that airports across our country are in a very strong financial position and already receive billions of dollars from passengers and the government alike. In 2013, U.S. airports collected a record $24.5 billion in revenue—a 52 percent increase on a per passenger basis from 2000—including $10 billion in airline rents and fees, $2.8 billion from existing PFCs, $8.2 billion in non-airline revenues and $3.4 billion from the FAA's Airport Improvement Program (AIP). The data clearly shows that projects can easily be done without raising taxes on passengers.

According to their own financial reports filed with the FAA, U.S. airports have more than $11.4 billion of unrestricted cash and investments on hand, or approximately 357 days of liquidity. I am not aware of many businesses, much less families

that have the luxury of having a year's worth of operating expenses saved up. If airports need more money, they can easily utilize the bond market to raise revenue. With investment-grade credit ratings, airports can obtain inexpensive financing, which is a much better alternative than Congress increasing taxes on passengers.

There's another aspect of the aviation system's resources that's notable. While the Highway Trust Fund is bankrupt and needs to be replenished, the Aviation Trust Fund is at its highest level since 2001, with an uncommitted balance of $6 billion, leaving the AIP program stable and secure to provide ample funding for airport projects. In 2014 PFC revenue reached $2.8 billion, which is close to the all-time high set in 2006. This is at a time when the current activity levels at U.S. airports still remain below the peak set in 2007—airline operations and passengers for the most recent 12 months are down 16 percent and 2 percent respectively as compared to 2007 levels. Again, projects can easily be done without raising taxes on passengers.

We would also like the Committee to step back and take a look at the big picture. Too often, the airport community focuses the discussion on their sole aspiration of increasing PFCs without looking at the overall taxation level of U.S. airlines and their passengers. While it is easy to get caught in that vacuum, it is our hope that you recognize air travelers are already overburdened with government-imposed taxes and fees. In fact, the U.S. aviation industry and its customers already pay $20 billion in 17 unique taxes and fees imposed by the Federal government. Federal taxes and fees account for $63 on a typical domestic round-trip ticket of $300—approximately 21 percent of the total cost going to taxes and fees—putting air travel in the same tax bracket as "so-called" sin products, which are taxed to discourage use.

Make no mistake; a PFC increase would be a system-wide and permanent tax increase with real repercussions. Even a $1 increase in the PFC would cost passengers an additional $700 million annually; increasing the PFC to $8 or higher would cost in excess of $2.5 billion annually. With airport funding at historic levels, we simply should not be increasing this already large tax burden.

With that said, we do not want you to get the impression that we do not support our airport friends in other ways. While airlines are sensitive about the implications of bond funding because we pay the rents and fees airports use to back the bonds, we intentionally prefer this payment mechanism because, while an expense, it avoids the harmful effect on demand that additional passenger taxes produce.

Additionally, utilizing the bond market brings discipline to airport development scoping and encourages the pursuit of projects that are economically sustainable, thereby discouraging unnecessary and inefficient projects. To that end, we also encourage Congress make permanent the tax-exempt status of airport bonds. This is something I think both airlines and airports could agree on and the outcome is clearly in the public interest, while another airline passenger tax increase is not.

Thank you for allowing us to testify on behalf of our member companies and our customers. I will conclude like I began, airlines strongly support necessary investments in airports across the country. We are committed to airport infrastructure projects and believe they can easily be done without increasing taxes. Despite the hyperbole, the facts clearly show there is not a funding crisis at our Nation's airports.

Senator AYOTTE. Thank you, Ms. Pinkerton.

And we'll now hear from Mr. Todd Hauptli, President and CEO of American Association of Airport Executives.

Mr. Hauptli.

STATEMENT OF TODD HAUPTLI, PRESIDENT AND CEO, AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES

Mr. HAUPTLI. Thank you, Senator. Thank you, members of the Subcommittee for being here, for holding this hearing, and for your service to the Nation.

I have, in my written remarks, covered many of the areas that Senator Ayotte has mentioned in her opening statement and would be pleased to talk about any of those in the question period. Let me make three points this morning:

The first point is that we are systematically and chronically under-investing in infrastructure in this country. And it is not just

airport infrastructure or aviation infrastructure or, for that matter, transportation infrastructure. We are under-investing in water infrastructure, power infrastructure, and communications infrastructure. And increasingly this lack of investment in infrastructure across the board is having a negative impact on our domestic and our international competitiveness. And, expressing at least my opinion, we need to deal with this for ourselves, for the next generation, and for generations that follow.

Point number two: in this economic, fiscal, and political environment that we find ourselves in today, we don't believe that the Federal Government, and the Federal Government alone, can solve this problem.

I'll use airport infrastructure as an example. The AIP program that was mentioned earlier is the principal construction program for airports. The FAA—not airports, but the FAA—says that there are nearly $7 billion a year in eligible projects. Yet you, in the United States Congress, fund that program a little over $3 billion a year. You could literally double the Federal investment in airport infrastructure and still be in no danger of overinvesting. And does anyone in this room believe today that a non-defense discretionary spending program as good as AIP may be is going to see triple-digit growth or, for that matter, even double-digit growth in the years ahead? It's for that reason we believe it's absolutely imperative to modernize the Passenger Facility Charge Program, last addressed in Congress 15 years ago.

The PFC has lost, over the years, half of its purchasing power due to inflation and rising construction costs. We're talking about giving airports the self-help that they need to build these projects, because the Federal Government can't do it alone. Said respectfully, it's time for Congress and the Federal Government to get out of the way and let airports build what needs to be built if you can't provide the resources to us to do that.

Third point: Airports and airlines have been going about this for the past 25 years. The past quarter of a century we've fought over PFCs. And it's about money, it's about control, and it's about perspective. Airlines look at the world in 90-day increments of time, the next quarterly report. That's understandable; their job is to maximize shareholder value. Airports look at the world in a 3, 5, 7, 10, 12, and even 15-year window of time because that's how long it takes to build the necessary infrastructure. Airports are stewards in their community, as all of you are. Airports are trying to provide best opportunities for competition and enhanced service.

An airline, if it doesn't like what's going on in a particular community, is unhappy with the yield, can pull out and leave. And I suspect that a number of you on the Committee have seen that occur in your states. We believe that our interest, as local government, aligns with your interest, as members of the U.S. Senate, in looking out for what is in the best interest of your community. Push this decision down to the lowest local unit of government, to the city councils, to the mayors, to the airport boards. That's where this decision belongs. And I urge all of you to support an increase and modernize the Passenger Facility Charge Program.

Thank you, Mr. Chair.

[The prepared statement of Mr. Hauptli follows:]

PREPARED STATEMENT OF TODD HAUPTLI, PRESIDENT AND CEO, AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES

Chair Ayotte, Ranking Member Cantwell, and members of the Senate Aviation Subcommittee, thank you for inviting me to participate in this hearing on airport issues and infrastructure financing. It is an honor for me to be here today.

AAAE is the world's largest professional organization representing the men and women who manage primary, commercial service, reliever, and general aviation airports around the country. On behalf of all our members, I would like to thank each of you for being good partners and strong advocates for airports in your states.

I am pleased to be here with Mark Reis, the Managing Director of the Seattle-Tacoma International Airport and Immediate Past Chair of Airports Council International-North America (ACI–NA). Mark is an exceptionally talented and well-respected leader in the aviation industry. It's been a pleasure to work with him and ACI–NA President and CEO Kevin Burke.

AAAE and ACI–NA have put together a number of detailed policy proposals for consideration as part of reauthorization for the Federal Aviation Administration (FAA) that we have shared with your staff. Today, I would like to discuss some of our key proposals including those pertaining to small community air service and highlight recommendations that would help airports of all sizes build critical infrastructure during the current fiscal climate.

By any measure, airports around the country need additional resources to upgrade aging facilities, accommodate rising demand, and to keep pace with evolving safety and security standards. Unfortunately, infrastructure investment in the United States is still behind other countries in the world. According to the latest Global Competitiveness report, the United States has the 12th best infrastructure in the world and the ninth best aviation infrastructure. I hope all of us would agree that ninth place simply isn't good enough.

At a time when there is enormous pressure to reduce Federal spending, modernizing the local Passenger Facility Charge (PFC) is the best way to deliver additional resource to airports and make our infrastructure more competitive. That's why AAAE, ACI–NA, and a group of large hub airports that participate in the Gateway Airports Council are urging you to update the Federal cap on PFCs from $4.50 to $8.50 and allow it to be periodically adjusted for inflation.

Last adjusted in 2000, a modernized PFC would help airports of all sizes. In fact, some of the most compelling calls for self-help come from small airports in communities like Manchester, New Hampshire; Sioux Falls, South Dakota; and Spokane, Washington. The following includes a more detailed discussion of PFCs as well as other financing recommendations.

Increasing Demand and Congestion; Airport Capital Needs

Increasing Demand: Airports, airlines, and Federal agencies are all expecting passenger levels to increase in the short-and long-term. Airlines for America (A4A) is predicting that air travel this spring will reach 2.2 million passengers per day and rise to the "highest level in seven years." The airlines estimate that almost 135 million passengers will fly on U.S. carriers between March 1 and April 30—an increase of 6.6 million passengers from same two-month period in 2013.

The FAA also anticipates that passenger levels will continue to climb. The agency estimates that U.S. commercial air carrier enplanements will increase from less than 740 million in 2013 to almost 776 million this year—an increase of 36 million passengers. That's more than the combined populations of Florida, Washington, New Hampshire, and South Dakota.

36 Million More Enplanements 2013-2015: Populations of FL, WA, NH, SD*

(Sources: FAA Aerospace Forecast Fiscal Years 2015-2035; U.S. Census Bureau)

*U.S. Commerical Air Carriers

The FAA's latest Aerospace Forecast also indicates that enplanements are expected to increase to more than 800 million passengers by 2017. The agency anticipates that passenger enplanements will reach the one billion mark by 2029—just 14 years from now. By 2034, passenger levels are expected to exceed 1.1 billion.

Another 320 million passengers is the equivalent of adding the entire U.S. population to our already constrained aviation system. That may seem like a long time into the future, and the FAA's estimates may change some. But planning, designing, and building runways and other capacity-enhancing projects can take an enormous amount of time.

Airports simply don't have the luxury of being able to flip a switch and instantly complete a new runway or some other large capacity project. The Department of Transportation (DOT) "Beyond Traffic" report points out that "building a new airport runway can easily take more than a decade. . . ."

Airports need to begin preparing now for increasing passengers and start planning and financing time-consuming infrastructure projects. And it will be increasingly difficult for airports to fund those projects if PFCs remain artificially capped at $4.50 as they have been since 2000.

Increasing Flight Delays, Cancellations, and Complaints: Without adequate airport infrastructure investment, increasing demand will likely translate into increasing congestion, more flight delays, more cancellations, and more customer complaints.

Airline flight delays and cancellations have been creeping back up in the past few years. According to the Bureau of Transportation Statistics (BTS), more than 21.3 percent of arrivals were delayed in 2014—up from 16.7 percent in 2012. Travel over the busy holidays is also becoming more challenging. Twenty-two percent of flights were delayed over the Thanksgiving holiday last year—the highest percentage since 2007.

The number of cancelled flights has been rising, too. BTS indicates that U.S. carriers cancelled almost 127,000 flights last year—the most since 2008.

With increasing flight delays and cancellations, it's no wonder that passenger complaints are escalating. According to DOT Air Travel Consumer Reports, the agency received almost 5,000 complaints about flight delays, cancellations, and misconnections last year. That number is up about 25 percent from 2013.

Airport Capital Needs: With increasing passenger levels, airports are also facing significant capital needs. As part of its 2015 National Plan of Integrated Airports System (NPIAS), the FAA estimated that there are $33.5 billion in AIP-eligible projects between 2015 and 2019 or approximately $6.7 billion per year. The annual average is twice the current funding level.

The FAA's NPIAS provides a snapshot of certain airport capital needs. But it is important to note that the FAA estimate only reflects those projects that are eligible for Federal funds. The FAA report does not include other necessary but ineligible infrastructure projects such as gates and certain terminal projects that airports fund with PFCs and other revenue sources.

Like the FAA, ACI–NA has a long track record of evaluating airport capital needs. The association's latest Capital Needs Survey estimates that airports will have $75.7 billion in capital needs between 2015 and 2019 or more than $15.1 billion annually for AIP-eligible and other necessary projects. This is more than twice the $6.2 billion that airports expect to receive in AIP funds and PFC revenue this year.

Recommendations for Helping Airports Finance Critical Infrastructure Projects

Airports rely on a combination of PFCs, AIP funds, bonds, state and local grants, and other airport revenue to finance infrastructure projects at their facilities. But it is important to note that unlike AIP and PFCs, bonds are not a revenue source—they are essentially loans that airports need to pay back. As one airport executive described it:

> "Bonding is a stop-gap fix for a lack of funding needed for immediate projects. It is a loan, plain and simple, and is not a revenue source. Any use of bonding is simply kicking the can down the road for future passengers to pay."

In terms of additional borrowing, many airports are unable to issue new bonds because they have reached the limits of their debt capacity. Other small airports are unable to go to the bond market to finance infrastructure projects. In fact, FAA financial reports show that airports had $84 billion in debt at the end of 2013.

Ensuring that airports collectively have adequate funding to build critical infrastructure projects will require Congressional action on PFCs, AIP, and the tax-treatment of airport bonds. Needless to say, flat or reduced AIP funding will only increase pressure on airports to secure funds from other revenue sources like PFCs.

Modernize Federal Cap on Local PFCs: AAAE, ACI–NA, and the Gateway Airports Council—a group of large hub airports—are united behind a proposal to update the Federal cap on local PFCs from $4.50 to $8.50 and to allow for the periodic adjustment of the cap for inflation. Modernizing the PFC cap continues to be our top priority for the next FAA reauthorization bill.

For 25 years, the PFC program has helped airports increase safety, security, and capacity; mitigate the impact of aircraft noise; and increase competition. Airports use money generated from PFCs for a variety of purposes including building new runways, taxiways, and terminals.

PFCs are local fees that must be approved locally, imposed locally, and used locally for projects approved by DOT in consultation with the airlines. There is an inherent level of accountability locally that ensures any revenues raised through the PFC are used for critical locally-supported projects.

A PFC adjustment is long overdue. The cap has not been adjusted since 2000 –15 years ago. Considering the ongoing pressure to reduce Federal spending, it is now more important than ever that Congress raise the Federal cap on local PFCs. Modernizing the cap would allow airports to finance a greater share of critical infrastructure projects with their own local revenues.

The $253 million cut in AIP funding that airports sustained in 2013 as part of the sequestration process underscores the need for Congress to update the Federal cap on local PFCs. Modernizing the PFC cap would provide airports with the self-help they need to finance critical infrastructure projects without relying as much on scarce Federal funds.

PFCs Help Increase Capacity; Enhance Competition: Airports use PFC revenue to build infrastructure projects that increase capacity, reduce delays, and enhance competition among carriers.

Port Authority of New York and New Jersey: The Port Authority of New York and New Jersey, for example, is using PFCs and other sources of revenue to reconstruct runways at John F. Kennedy International Airport. The improved runways will help increase capacity, reduce delays, and enhance safety at one of the Nation's busiest airports.

The Port Authority is both widening its runways to accommodate larger aircraft and raising them by a foot for flood mitigation. In the past five years, the Port Au-

thority has used $470 million in PFC revenue for runway widening and raising, $162 million for Runway Safety Areas, and $115 million for delay reduction. Again, this $750 million in capacity-and safety-related projects simply wouldn't be possible without local user fees.

Meanwhile, the Port Authority is moving forward with plans to replace the aging Central Terminal at LaGuardia Airport. Airport terminals—like runways and taxiways—increase capacity. Without a new terminal, LaGuardia simply wouldn't be able to efficiently accommodate four million additional passengers annually.

Almost half of the funding for the more than $3 billion Central Terminal project will come from PFCs. Raising the PFC cap to $8.50 and indexing it for inflation would allow airports like those in New York and New Jersey to invest in additional capacity-and safety-related projects on the airside and the landside.

Tampa International Airport: PFCs can help increase airline competition, and that's exactly what happened at the Tampa International Airport. The airport's international terminal in 2011 was at capacity and needed to be expanded. The airport embarked on a $27 million terminal project that would not have been possible without $8 million in PFC revenue.

As a result of the PFC investment, the airport was able to bring in three new airlines: Edelweiss Airlines, Copa Airlines, and Lufthansa. The return on investment is substantial. The airport used $8 million in PFCs, and airport officials estimate that the new service will have an annual economic impact on the region of at least $120 million.

PFCs Help Small Airports: Although large airports obviously benefit from PFCs, the local user fee is an important source of income for smaller commercial service airports, too. Small airports rely on PFCs to augment their AIP funding and to help pay the higher local matching requirement for AIP funds.

The last FAA bill reduced the Federal share for projects at small airports from 95 percent to 90 percent. Doubling the local match requirement had an enormous financial impact on small airports. Adjusting the PFC cap to $8.50 would help small airports generate more local revenue to meet their higher local requirements.

Manchester Regional Airport: The Manchester-Boston Regional Airport, a small hub airport in New Hampshire, is pressing for a modernized PFC. Airport Director and AAAE First Past Chair Mark Brewer, A.A.E, said that the airport could use the increased PFC revenue to make additional payments on its existing debt service on PFC projects—a proposal that would help airlines operating at the New Hampshire airport.

"By using PFC revenue for that purpose we could reduce the debt load on airline rates and charges," Brewer told lawmakers when he appeared before the House Aviation Subcommittee in late 2013. "This is yet another example of where airports and airlines would truly benefit from a PFC increase."

Spokane International Airport: The Spokane International Airport has used PFCs to fund almost $120 million in safety, efficiency, and capacity improvements over the years. Larry Krauter, A.A.E., the Chief Executive Officer at the airport, says that some of those projects may not have been completed without revenue from the local user fee. Other projects may have taken longer to implement, cost more to complete, and required the airport to issue more debt.

The Spokane airport plans to use additional PFC revenue to finance a number of important projects such as airfield perimeter security enhancements and security access control improvements. A higher PFC cap would allow the airport to fund a needed terminal renovation and expansion project on a pay-as-you-go basis while simultaneously reducing or eliminating the need to issue more debt, which again would increase cost and time.

The Spokane airport values it relationships with its airline partners, and revenue from airline rates and charges helps pay for airport operating expenses. But like many small-and medium-sized airports around the country, airport officials are not expecting the airlines to make substantial investments in their capital projects—especially for projects that enhance competition.

"Historically, the airlines have spent very little on improvements at Spokane International Airport and do not have any intentions of spending significant amounts of capital funds to improve the passenger experience at SIA or to address other deficiencies," Krauter said. "That is why the PFC is important as well as why we support its modernization to restore the lost buying power that has eroded since it was last adjusted in 2000."

Sioux Falls Regional Airport: Because of the increasing pressure on AIP funding, some smaller airports that haven't collected PFCs in the past are turning to the local fee for help. Airport officials at the Sioux Falls Regional Airport recently explained why the small hub airport in South Dakota plans to use PFCs to finance its infrastructure projects.

"Due to the shrinking Airport Improvement Program. . .our ability to fund major projects is in jeopardy. We actually have two projects planned for our primary runway with costs in the multiple tens of millions," airport officials explained. "At this time, it appears that AIP will only cover a portion of that need. There is simply not enough discretionary funding to support the projects. The result is that we are forced to pursue PFC funding."

Other small commercial service and general aviation airports that don't collect PFCs also benefit from the PFC program. That's because large and medium hub airports that collect PFCs turn back up to 75 percent of their AIP entitlements, and a large percentage of those withheld funds are distributed to small airports through the Small Airport Fund. Small airports received roughly $500 million from the fund in FY15.

Construction Cost Inflation: Airport efforts to prepare for increasing passenger levels have been hampered by rising construction costs. According to the Means Construction Cost Indexes, the average construction costs for 30 major U.S. cities jumped more than 70 percent since 2000—the last time Congress raised the PFC cap.

Unfortunately, rising construction costs have eroded the purchasing power of PFCs and AIP funds. For instance, a $4.50 PFC is worth approximately half that amount today—about $2.41 according to the Engineering News Record Construction Cost Indexes and about $2.24 according to the Means Construction Cost Indexes. Unless corrective action is taken, the value of PFCs will erode even more.

In order to keep up with construction inflation, it is necessary to raise the PFC cap to $8.50 today. Keep in mind that raising the cap to that level would only allow PFCs to keep up with construction cost inflation that has already occurred. The cap also needs to be adjusted periodically to prevent further erosion.

"Classic Example of a User Fee"

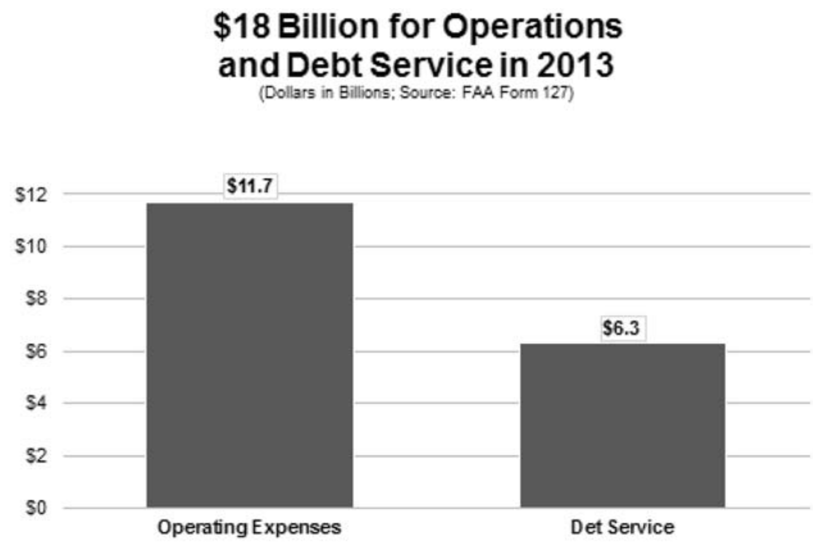
Despite claims from the airline industry, PFCs are not taxes. PFCs are local user fees charged to passengers using airport facilities to help defray the costs of building airport infrastructure. Moreover, PFCs are imposed by states or units of local government—not the Federal government. PFCs are not collected by the Federal government, not spent by the Federal government, and not deposited into the U.S. Treasury.

The highly-respected and non-partisan Congressional Research Service agrees that PFCs are not taxes. In a January 2015 report, CRS accurately describes the PFC as "a state, local, or port authority fee, not a federally imposed tax deposited into the Treasury."

Marc Scribner from the libertarian Competitive Enterprise Institute recently described PFCs as "classic example of a user fee." He correctly pointed out that "unlike taxes, user fees can only be imposed on the service beneficiaries. . .The primary beneficiaries of airports are the passengers who use the airports; thus, charging them a facility user fee that will be used solely for specific, statutorily-defined airport improvements cannot constitute a tax."

A Closer Look at Airport Revenue: Our airline partners have been trying to make the case that adjusting the PFC cap isn't necessary because commercial service airports collected $24.5 billion in revenues in 2013. But they conveniently ignore the fact that there are expenses associated with operating commercial service airports. The airlines might have a point if airports could have devoted the entire $24.5 billion for capital projects. But that is most certainly not the case.

The fact is almost half of the airline's estimate—or $11.7 billion—paid for airport operating expenses such as personnel costs, firefighting and law enforcement, utilities, janitorial services, insurance, materials and supplies. According to airport financial reports, airports also had $6.3 billion in debt service costs in 2013. That's the amount of principal and interest that airports paid for long-term bonds during the year. When combined with airport operating expenses, airport non-capital costs were $18 billion in 2013—or 73 percent of A4A's estimate.



The carriers go on to argue that they paid $10 billion in "airline rents and fees" in 2013. It is true that airports collected that much in "aeronautical revenue." But not all of it came from the airlines as A4A claims. The "aeronautical revenue" category also includes revenue from Fixed Base Operators and landing fees from general aviation and the military. The "passenger airline" portion of aeronautical revenue was $8.1 billion—almost $2 billion less than A4A's claim.

Another 25 percent of A4A's estimate—or $6.2 billion—came from AIP funds and PFCs. And that estimate is misleading because airports didn't actually receive the full $3.4 billion in AIP grants. According to the FAA, airports received less than $3 billion in AIP grants in 2013 and slightly less than $2.8 billion from PFCs. There's no question that $5.8 billion is a large amount of money. But revenue from those two programs would only cover 38 percent of the more than $15 billion in annual airport capital needs.

The airlines also argue that modernizing the PFC isn't necessary because airports had $11.4 billion in unrestricted cash at the end of 2013. Like many Americans and businesses around the country, airports wisely put aside revenue for unexpected emergencies. This ensures that airports are prepared in case a natural disaster happens or when incoming revenue suddenly declines such as when a carrier reduces service or pulls out of a market all together.

If airports didn't have those reserves on hand, their credit ratings would likely be downgraded. A lower bond rating would increase airport borrowing costs, which airports would be forced to pass on to airlines. It's seems odd for the airlines to suggest that airports should have *less* unrestricted cash, since doing so could result in *higher* borrowing costs and ultimately *higher* fees for the airlines themselves.

In a 2012 report on rating criteria for airports, Fitch Ratings argues that "airports should have liquidity at least equal to several months of operating/debt service ready." Fitch explains why:

> "An important part of its analysis focuses on unrestricted liquidity as the airport sector is susceptible to adverse conditions, whether they come from carrier actions, macro events, or economic cycles. Metrics considered include cash to debt and days cash on hand. With healthy reserves, airports can use unencumbered funds in several ways, including weathering a likely airline bankruptcy, terrorist/health incident, or natural disaster, and also the cash funding of capital improvements or lowering the cost burden passed on to airlines or passengers."

Finally, A4A's estimate also doesn't take into account the amount of debt that airports have outstanding. Airport financial reports show that airports had more than $83 billion in outstanding debt in 2013. Without a PFC increase, airports will have to issue even more debt to finance their infrastructure projects. Modernizing the

PFC cap and paying for more projects on a is a fiscally responsible approach that helps airports and airlines.

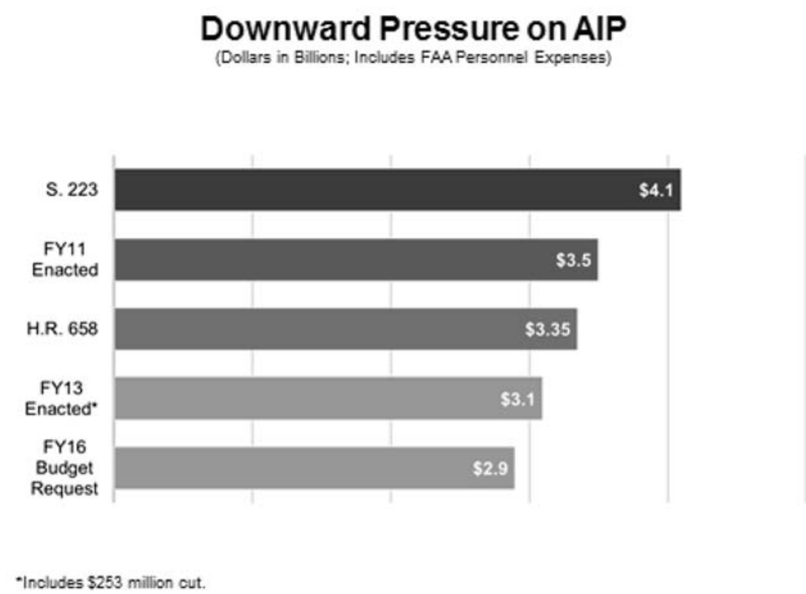
Provide Adequate AIP Funding: AAAE and ACI–NA are also urging Congress to maintain adequate funding for airport infrastructure projects in the next FAA reauthorization bill. No general fund revenues are used for AIP grants. The AIP program is supported entirely by users of the aviation system through various taxes and fees that are deposited into the Airport and Airway Trust Fund.

AIP is a critical source of funding for airports of all sizes and especially smaller airports around the country that don't generate as much PFC revenue or have easy access to the bond market. Large and medium hub airports also depend on AIP funding—particularly money distributed through the Letter of Intent Program—to help pay for large capacity-enhancing projects.

Unfortunately, AIP funding has been trending downwards. S. 223, the Senate-passed version of the last the FAA reauthorization bill proposed $4.1 billion for AIP in FY11. However, the final version of the legislation (H.R. 658) ratcheted funding back to $3.35 billion annually.

The AIP program received approximately $3.1 billion in Fiscal Year 2013 after the diversion of $253 million to pay for FAA operations. Again, it is important to point out that not all AIP funding actually goes toward airport capital projects. In FY13, for instance, slightly more than $100 million of AIP went to the FAA to operate the program. Only about $2.9 billion actually went to airport infrastructure projects.

Overall AIP funding ticked back up to $3.35 billion in FY14 and in FY15. However, AIP funding levels have not been nearly enough to cover the FAA's estimated $6.7 billion in annual AIP-eligible projects. Like the stagnant PFC cap, flat AIP funding has lost ground to construction cost inflation over the years.



Opportunity to Recalibrate AIP: Raising the PFC cap to $8.50 and periodically adjusting it for inflation could potentially open the door to recalibrate the AIP program. With a PFC increase firmly in place, limited Federal funds could be focused on smaller airports that need AIP funds the most. Many large airports are willing to give up their entitlements in exchange for a sufficient PFC increase. But again, any effort to modify the AIP program must begin by modernizing the PFC cap and indexing it for inflation.

The Administration has proposed to raise the PFC cap to $8 and reduce AIP from $3.35 billion to $2.9 billion—saving about $450 million annually. The Administration is also simultaneously proposing to eliminate entitlements for large hub airports. But the Administration has rightfully made it clear that its proposal to reduce AIP funding is contingent upon raising the PFC cap.

The Administration's plan represents a step in the right direction. However, airports are calling on Congress to update the PFC cap slightly higher to $8.50 and

to index it for inflation. If our proposal were adopted, the AIP program could also be recalibrated to focus limited Federal funds on smaller airports. But a number of steps would be required to ensure that small communities are kept whole if AIP funding dips below $3.2 billion because of formulas in current law.

AIP Funding and ATC Reform: As Congress considers proposals to reform the Nation's Air Traffic Control system and transform how the FAA is financed, we urge you to keep the fundamental structure of the Federal AIP program intact. While some may say the Air Traffic Control modernization process is broken, most would agree that the AIP program is not.

The AIP program has a decades-long, demonstrated record of success in building critical infrastructure at airports of all sizes. Maintaining a solid Federal program with sufficient funds for large and small airports is essential to the long-term viability of airports around the country and the entire aviation system.

As you consider proposals to transform the FAA, we urge you to maintain a sufficient and stable revenue stream to support capital projects at large and small airports. Airport operators strongly believe that they should continue to receive revenue from a dedicated airport trust fund rather than the less predictable general fund as some have proposed.

Preserve and Restore Tax Exempt Financing for Airport Bonds: While it isn't under this committee's jurisdiction, airports urge you to work with your colleagues on the Senate Finance Committee to help finance infrastructure projects with bonds. Specifically, we are urging Congress to retain the tax exemption for municipal bonds and to eliminate the tax burden of the Alternative Minimum Tax (AMT) on airport private activity bonds.

AAAE and ACI–NA have long argued that Federal tax law unfairly classifies the vast majority of bonds that airports use as private activity even though they are used to finance runways, taxiways and other facilities that benefit the public. Since private activity bonds are subject to the AMT, airport bond issuers traditionally have been charged higher interest rates on their borrowing.

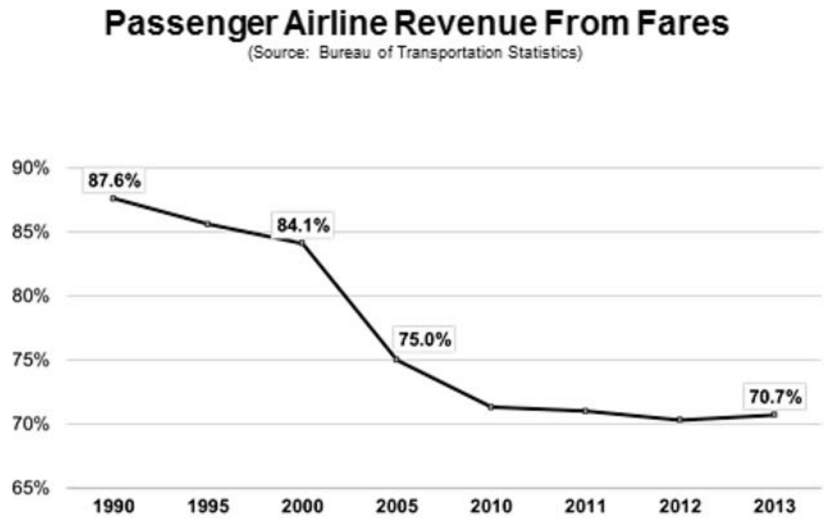
A permanent AMT fix would help airports reduce their borrowing costs, allow them to invest in more infrastructure projects, and support more jobs. Since reducing borrowing costs would benefit airports and their customers, this is one airport infrastructure financing proposal that airports and airlines will likely continue to agree makes sense.

Close Bag Fee Loophole: While airports and airlines may agree on the need for AMT relief, we continue to have a fundamental disagreement over the airlines' increasing reliance on baggage fees and other ancillary charges. Airports are recommending that those fees be subject to the same aviation excise taxes as base air fares and that the revenue be deposited into the Airport and Airway Trust Fund.

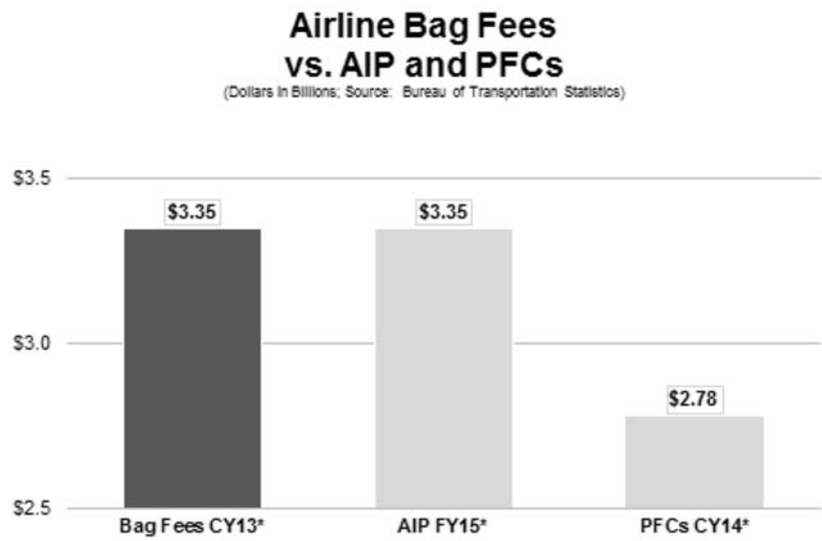
Airport operators respect our airline partners and the highly competitive nature of the commercial airline industry. However, at a time when Federal funding for airport infrastructure projects is stagnant, and the purchasing power of PFCs is eroding, the airlines' current business model simultaneously reduces funds that could be used for airport infrastructure projects and air traffic control modernization.

Air carriers are increasingly relying on revenue generated from checked baggage fees and other ancillary charges and less on funds from base airline tickets. Unlike airline tickets, baggage fees and some other ancillary charges are not subject to a 7.5 percent excise tax. In other words, the airlines' a la carte pricing model allows carriers to avoid paying aviation excise taxes for services that were once included in the price of traditional airline tickets.

The airlines' reliance on baggage fees and the shrinking percentage of revenue from base fares has been a growing trend in recent years. According to BTS, the percentage of airline revenue from base fares has dropped from almost 88 percent in 1990 to slightly less than 71 percent in 2013—the last full year currently available.



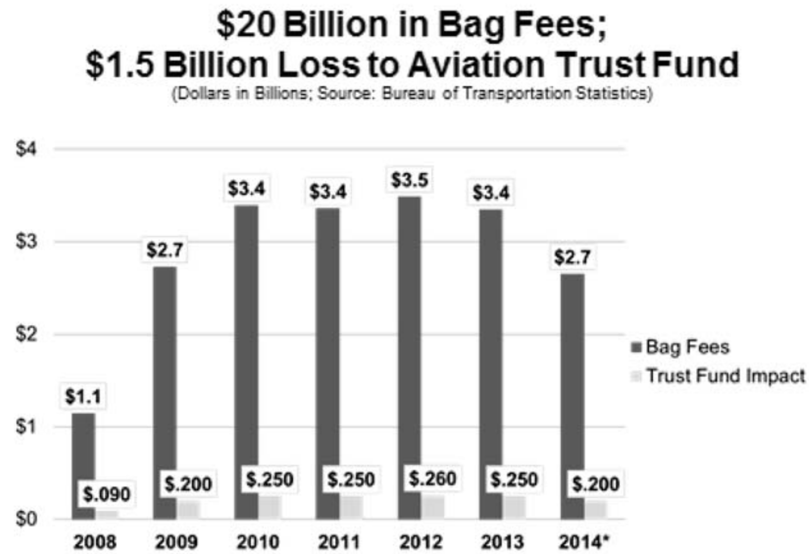
According to BTS, U.S. airlines collected slightly more than $3.35 billion in baggage fees in 2013—and the carriers were on track to collect at least that amount in 2014. Those figures are for bag fees alone and do not include revenue that carriers generate from reservation change fees and other ancillary charges. The 2013 airline bag fee revenue is almost the same amount that Congress approved for AIP in FY14 and FY15. It's also more than airports collected in PFC revenue last year.



*Latest available data.

The airlines' use of ancillary fees shortchanges the Airport and Airway Trust Fund of revenue that could otherwise support airport infrastructure projects, air traffic control modernization, and other aviation system improvements. Between 2008 and the third quarter of 2014, the airlines raked in more than $20 billion in revenue from bag fees.

Closing the baggage fee loophole and charging the same 7.5 percent as base fares would have generated approximately $250 million in 2013—about the same amount of AIP cuts that airports sustained that year to fund FAA operations. From 2008 through the third quarter of 2014, the bag fee loophole cost the trust fund $1.5 billion. Again, that's revenue that could be used to pay for NextGen and airport infrastructure projects.



*Through 3Q 2014

We appreciate the airlines' responsibility to answer to their shareholders. And airports want our airline partners to be successful. But the ancillary fee loophole should be closed. Doing so would generate about $1 billion every four years that could be used for AIP and NextGen. It would also help the Nation meet the long-term needs of our aviation system.

Recommendations for Helping Small Communities

This Committee has a long bipartisan track record of looking out for small communities and supporting programs that ensure people who live and work in rural areas have access to our aviation system. As you consider the next FAA bill, we urge you to maintain funding for small community programs and protect the cost-effective Contract Tower Program.

Essential Air Service: Congress created the Essential Air Service (EAS) program as part of the Airline Deregulation Act of 1978 to ensure that small communities could maintain a minimal level of scheduled air service. Since then, this program has successfully allowed people who live in rural and less populated areas to have access to the national aviation system. According to DOT, 160 communities participate in the EAS program including 44 in Alaska.

Commercial air service is not just a matter of convenience for leisure travelers. It is also critical to economic development efforts in communities around the country. Without reliable commercial air service made possible by the EAS program, it would be difficult for many small communities to retain and attract businesses that create jobs.

The last FAA bill included a number of EAS reforms. For instance, the bill eliminated service to communities with fewer than 10 enplanements a day except those communities more than 175 miles from a large or medium hub airport and those located in Alaska and Hawaii. The bill also left intact a provision to eliminate service to communities with more than $1,000 per passenger subsidy—a proposal that Congress approved as part of a previous short-term extension.

Small Community Air Service Development Program: AAAE and ACI–NA have been long-time proponents of the Small Community Air Service Development Program. Since Congress created the program as part of H.R. 1000, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century, it has helped numerous small communities suffering from insufficient air service or unreasonably high fares.

DOT Assistant Secretary for Aviation and International Affairs Susan Kurland told House lawmakers last year that small community grants "fund a wide range of projects, including various kinds of financial incentives to airlines, intermodal solutions such as shuttle services to the airport, leakage studies, cutting edge marketing techniques, and start-up cost offsets."

It is worth noting that small communities that participate in the program bring significant local funds to the table. According to Assistant Secretary Kurland, more than half of grantees contributed at least 20 percent of the costs, and 12 percent paid at least 50 percent of the costs.

Small airports around the country face numerous challenges including a consolidated airline industry and regional airlines that terminate service because they say there is a shortage of commercial pilots. Since many small communities are struggling to maintain and attract new commercial service it is now more important than ever to fund this program.

Vision 100 authorized $35 million per year for the Small Community program. Congress reduced that level to $6 million annually in the last FAA reauthorization bill. We urge you to authorize at least $6 million annually for this program in the next FAA bill.

We also urge you to make a technical change to the program. Under current law, only those airports that were classified as a small hub airport or smaller in calendar year 1997 are eligible to participate in the Small Community program. That requirement unfairly excludes a handful of small airports from participating in the program because they were classified as a medium hub in 1997 even though they are classified as a small hub today.

Airports that have dropped out of the medium hub category in recent years should be eligible to participate in the Small Community Air Service Development Program just like other small airports. Allowing all current small hub and non-hub airports to be eligible to participate in this program would be a welcome technical fix that could help more small airports suffering from insufficient air service or unreasonably high fares.

Contract Tower Program: On behalf of the 252 airports in 46 states that participate in the FAA Contract Tower (FCT) Program, we would like to thank members of this Committee for your long-standing and critical support of this program. We are grateful that so many of you led the charge to keep 149 Contract Towers open during the first round of sequestration in 2013.

As a result of this 33-year government/industry partnership, the FCT Program enhances aviation safety at airports that otherwise would not have a tower. It also plays a key role in connecting smaller airports and rural communities with the national air transportation system. It is interesting to note that approximately 80 percent of all contract controllers are veterans.

Before an airport is admitted into the contract tower program, the FAA performs a rigorous cost benefit analysis to ensure that the safety benefits will outweigh the economic costs. This has worked well. But now the agency is in the process of revising its cost benefit methodology in a way that could put the thumb on the cost side of the scale and against the clear safety benefits these towers provide the national air transportation system. This means that some airports may lose their contract tower or have to pay an onerous portion of the costs.

AAAE and its affiliated organization—the U.S. Contract Tower Association—are asking this Committee to consider taking a handful of steps in order to keep a fair and balanced cost benefit analysis intact. We look forward to working with all of you to ensure that FCT continues to be a cost-effective and proven way to enhance air traffic safety at smaller airports across the country.

Pilot Shortage: A number of small communities have experienced commercial air service reductions in the past year, in part, because carriers say that there are not enough qualified pilots to operate their flights. Not surprisingly, airport operators around the country are concerned about possible short-and long-term repercussions.

Mainline carriers often tap pilots from the regional airlines that provide service to smaller communities. So a number of airport directors at small-and medium-sized facilities are concerned that this situation could make it more challenging for them to attract and retain commercial air service.

To complicate matters, a large number of pilots are also expected to retire in the next several years. InterVistas Consulting Group estimates that 16,000 pilots at the

big four U.S. carriers will retire between now and 2022. In 2013, Boeing estimated that the airlines around the world will need to hire almost 500,000 pilots by 2032—or about 25,000 annually.

Airports would like to work with you and other aviation stakeholders to ensure that there are enough pilots in the pipeline to accommodate rising demand and to fill the seats of those who are expected to retire. Working together we can also ensure that people who live in smaller communities continue to have access to our national aviation system.

Conclusion

Chair Ayotte, Ranking Member Cantwell, and members of the Senate Aviation Subcommittee, thank you again for inviting me to participate in this hearing on airport issues and infrastructure financing. I look forward to working with you as you continue preparing for the next FAA reauthorization bill.

Senator DAINES [presiding]. Thank you, Mr. Hauptli.
Mr. Reis.

STATEMENT OF MARK M. REIS, MANAGING DIRECTOR, SEATTLE-TACOMA INTERNATIONAL SEATTLE

Mr. REIS. Thank you, Mr. Chairman. And thank you for the invitation to testify today.

Today, I will tell a story of one airport, but it is representative of the challenges that other airports are facing across the country.

Last year, Seattle-Tacoma International Airport—Sea-Tac, as we call it—was the fastest-growing large-hub airport in the country. So far this year, passenger loads have grown by 13 percent. Both the vibrant Seattle economy and the increasingly important role Sea-Tac plays in the national airspace system, NAS, is responsible for this. Our current 5-year capital program will cost $1.7 billion and requires us to issue $1.2 billion in new debt. We will also commit essentially all of our PFC capacity through 2035.

We are now developing a 20-year airport master plan, which is identifying our facility needs beyond the next 5 years. The forecast indicates we will need to handle 66 million passengers in 2034, almost 30 million more than we did last year. We currently project the need for 35 more gates as part of a complex program of improvements, which we think will cost in excess of $10 billion.

To fund these investments, we will borrow a lot of money, but bonds no more pay for airport investments than getting a mortgage from a bank pays for a home. The question is, How will we pay back the borrowed capital? Much of it will, in fact, have to be paid by the airlines, but a very early projection suggests that Sea-Tac's cost per enplanement could go up by 150 percent between 2019 and 2034. Such an increase could dramatically change airline perspectives on serving Sea-Tac, and thus, penalize our economy as airlines make decisions based on their profit-and-loss statements, not what is good for Seattle or the NAS.

Another option is the use of non-aeronautical revenues. However, our current airline agreement requires the airport to use half of that net income to reduce airline rates. The other half will be needed to fund the dining and retail infrastructure, parking, and roadways, which cannot be paid for by airline rates, PFCs, or Federal grants. This leaves the Airport Improvement Program, AIP, and Passenger Facility Charges.

Congress capped spending at $3.3 billion in the AIP in 2011. It is not realistic to think that a large hub like Sea-Tac will get suffi-

cient AIP grants to make a meaningful dent in a $10 billion program. In fact, I am not sure we should. AIP grants are a critical lifeline to fund projects at general aviation, non-hub, small-hub, and many medium-sized airports. As AIP has lost ground against inflation, smaller airports have felt the pinch, seeing fewer projects funded by AIP and local matching requirements go up.

The final option is the Passenger Facility Charge. It is the only funding source that aligns directly with the passengers who will use the new facilities needed to meet the requirements of both our economy in our region and the NAS. As you are aware, the PFC is a locally approved user fee. As much as some would like to reinvent it as a tax, the Federal Government never touches the money, and the decision to charge a PFC is made by local airport governing bodies.

Our current capital program commits 90 percent of our projected PFC revenue stream through 2035. Because of the PFC cap imposed 15 years ago, Sea-Tac will have available only about $8 million of PFCs in 2016 for new projects; thereafter, growing at less than 3 percent. This is a drop in the bucket compared to a $10 billion need.

If Congress would modernize the PFC by making its current spending power equivalent to the cap imposed in 2000, the Port of Seattle Commission could then determine the appropriate PFC level, which could support up to $3 billion in master-plan investments.

Now, you've heard some claim that increasing the PFC would have a negative impact on the willingness of the American public to fly. This assertion flies in the face of the data. At Sea-Tac, average airfares increased by 27 percent between 2009 and 2014. During that same period, passenger volumes increased by over 22 percent. National data tell the same story.

Airlines for America has also asserted that a PFC increase is not needed because the airlines will happily pay the cost of new facilities. That is different message than what we are hearing in Seattle. Multiple airlines are pleading for us to devote our limited PFCs to their preferred projects so they don't have to pay for those improvements in their rates and charges. So, the airlines are saying here that PFC is unnecessary, but in Seattle they are aggressively competing for limited PFCs.

Madam Chairman, let me close by saying, first, that the greater Seattle region is relying on Seattle-Tacoma International Airport to match airport capacity with our economy's needs; and, second, that Sea-Tac very much needs a modernized PFC to fulfill that responsibility.

Thank you. And I look forward to your questions.

[The prepared statement of Mr. Reis follows:]

PREPARED STATEMENT OF MARK M. REIS, MANAGING DIRECTOR, SEATTLE-TACOMA INTERNATIONAL AIRPORT

Thank you, Chairwoman Ayotte, Ranking Member Cantwell, and members of the Subcommittee for inviting me to testify on Airport Issues and Infrastructure Financing.

I am the Managing Director of Seattle Tacoma International Airport (Sea-Tac) and the Immediate Past Chair of Airports Council International-North America (ACI–NA).

Located in Washington state, Sea-Tac is an increasingly critical part of America's aviation system. In 2014, we facilitated over 18.7 million enplanements and were the 13th largest airport in the United States. In fact, with a 7.7 percent increase in passengers in 2014, Sea-Tac was the fastest growing large hub airport in the United States. So far in 2015, our passenger load has grown by 13.1 percent (Q1, 2015 vs. Q1, 2014).

The vibrant economy of the Greater Seattle region has been a major driver of this growth. In 2013, Seattle was the fastest growing large city in the U.S., according to the U.S. Census Bureau. Today, Sea-Tac proudly supports more than 170,000 jobs in the region, totaling about $6.1 billion in personal income and $16.3 billion in business revenue. Our international traffic has grown by 67 percent since 2007, providing tremendous economic benefit to the region. In fact, each new international flight at Sea-Tac adds about $75 million annually to our regional economy.

But it is not just the robust Seattle economy that is requiring Sea-Tac Airport to scramble to handle this extraordinary increase in airline traffic. In fact, Sea-Tac is playing an increasingly important role in the National Airspace System (NAS). Each and every new flight—last year we handled over 23,000 more take-offs and landings—came to Seattle as a result of an airline decision. For example, in 2014 Delta Airlines grew by 1,606,585 passengers (+37.7 percent) and 10,141 landings (+79.3 percent); Alaska Airlines grew by 1,341,253 passengers (+7.5 percent) and 3,756 landings (+4.3 percent). These decisions were in part a result of very significant changes in the global aviation marketplace. As aircraft technology has evolved and as foreign flag airlines have initiated non-stop service from cities across Asia to U.S. cities, Seattle's role as a critical U.S. gateway to Asia has become more pronounced. This circumstance has certainly benefited the Seattle region but, more importantly, it has made the NAS more efficient by effectively replacing a Northeast Asia hub with a U.S. gateway hub. Quite logically, there is a growing amount of "feed" traffic from all over the United States to Seattle to make the most efficient use of a gateway that is closer than any other in the U.S. to the vast majority of Asian destinations.

Sea-Tac's extraordinary growth is just one example of how airports, airlines, and the Federal government must act in concert to ensure that we can meet the needs of airports and the NAS in the face of increasing economic growth nationwide.

While Sea-Tac's growth may be among the most extraordinary, airports across America are facing the challenge of meeting the demands of our resurgent economy. The Federal Aviation Administration (FAA) estimates that U.S. airport enplanements will grow to more than $1.14 billion over the next 20 years. So Sea-Tac's experience is not unique. But it is an excellent case study in the real-world challenges that the American airport industry faces today. In this testimony I will outline these challenges and demands, with a particular focus on Sea-Tac's challenges to meet the needs of the NAS and the region's continued economic growth as a result of the limited financial tools available to U.S. airports.

Today's airport industry is vastly changed from just a few years ago. Expanding global networks, surging passenger demand, and domestic-carrier consolidation have forced airports to adapt their business models. In our business today, U.S. airports are working to become more efficient and more customer-friendly in order to compete with each other, with other modes of transportation, and with our international counterparts who are setting new standards for airport customer service. But the fact that four major carriers handle about 85 percent of all U.S. traffic makes our operating environment more difficult as our communities have seen airline competition go down and airfares go up. So airports are expected to provide better customer service and modernized facilities all the while trying to keep airline rates and charges as low as possible. In this environment, many airports have struggled to retain their current air service and passenger flows, let alone attract new business.

Unless something changes, this constrained environment will, unfortunately, become the new normal—much to the detriment of regional economies across the Nation.

The Port of Seattle's statutory responsibilities and Federal obligations require Sea-Tac to do everything we can to provide the aeronautical capacity to support the NAS and our region's economic demands. That obligation is becoming tremendously more challenging. We are now in the midst of a 20-year master planning process. So far, we have completed the forecast that indicates that the region's economy will need Sea-Tac to handle 66 million passengers in 2034, 28.5 million (76 percent) more than we did last year. This passenger growth will require us to handle nearly 200,000 (+ ~60 percent) more operations during that period. That will mean we will have 36 percent more aircraft on our airfield during peak hourly operations; we will need to handle 70 percent more deplaning passengers during peak arrivals times and 58 percent more enplaning passengers during peak departure times.

Because Sea-Tac's operational area (*i.e.,* the airfield and terminal footprint) is only 1,500 acres, we simply have no "elbow room" to easily handle this substantial increase in activity. Thus, providing the facilities that our region and the NAS needs at Sea-Tac will require major investments and financial resources.

While in the middle of this master planning, Sea-Tac is also in the midst of a five-year capital improvement program which will modernize our North Satellite concourse including the addition of eight new gates ($512 million), reconstructing one of our runways ($100 million), updating our baggage system to improve security and efficiency ($317 million), and constructing a new International Arrivals Facility (approximately $600 million) to replace our 1970s facility that cannot handle current demands. The financing plan for this $1.7 billion program includes $1.2 billion in new debt, most of which will result in higher airline rates and charges and a commitment of essentially all of our PFC capacity through 2035.

Yet despite this significant investment, Sea-Tac will not be able to keep up with airline or passenger demands. In 2021—even after adding the eight new gates—we anticipate that the airlines will need to load and unload some flights by transporting passengers by bus to and from as many as 12 remote hardstand locations because we will not have sufficient gate capacity. The preliminary master planning work indicates that, to serve 66 million passengers, Sea-Tac would need to add 35 more gates, dramatically expand our ticketing/check-in facilities, and substantially redesign and rebuild our vehicle drives systems. Because we do not have readily available expansion space, we will likely need to move three airline maintenance hangars, several cargo buildings, an Aircraft Rescue and Firefighting (ARFF) station and, perhaps, a freeway. At this point we believe these capital expenditures will cost at least $10 billion to implement—above and beyond our current capital plan and financing plan.

I would like to share with the Subcommittee how I think about the options Sea-Tac faces as we contemplate this massive investment challenge. First, let me note that, while some airlines identify airports' access to the bond market as one of the reasons that there is not an airport funding problem, in fact bond revenues are only a means of financing construction. The bonds—with interest—must be paid back. Claiming that bonds are the answer to the airports' funding needs would be like claiming that a home mortgage was the answer to someone's housing needs. Yes, a mortgage will help buy a house but the homeowner needs to have a source of income to pay the debt service on the mortgage. So the options addressed below are those we could use to either fund directly, or pay bonds issued to finance, the capital investments.

One option—in fact, the option the airlines claim should be the default—is to put the costs of these investments into the airlines' rate base. The vast majority of the $10+ billion investments will indeed support airline activity. Putting the debt service costs of, say, $8.5 billion of aeronautical investments in the airlines' rates and charges could drive their costs per enplanement (CPE) at Sea-Tac from $14.00 (current projection for 2019) to $35.00 in 2030 (due to the many unknowns about the many factors associated with future projects, the financing environment and the pace of passenger growth, this figure is an informed but very preliminary projection). This increase could dramatically change the airlines' propensity to serve Sea-Tac and, thus, penalize our economy as airlines headquartered in other parts of the country make corporate decisions based on their profit and loss statements, not what is good for Seattle region or the NAS.

Some could argue that a better option would be to use local taxes to build local airport facilities. While the Port of Seattle does have limited additional property taxing authority, it is critical to funding the Port's seaport facilities. More to the point, though, as we consider airport investments and the NAS, is that only about one third of Sea-Tac passengers are King County residents (those who would pay increased property taxes). As I mentioned above, Sea-Tac is increasingly playing a significant role as a gateway for international flights; our best estimate is that fully 40 percent of our international passengers are connecting at Sea-Tac to reach another U.S. destination. It would be highly inequitable to require all King County taxpayers—including those who seldom or never use the airport—to pay for facilities used by travelers from all over Washington state and the United States, as well as passengers from all over the world.

Another source of funding some propose to be adequate to the task is the non-aeronautical revenues the airport receives from dining and retail, parking and other non-airline sources. While this is in fact a growing source of net income at Sea-Tac, our current airline agreement requires the airport to devote half of that net income to reduce airline rates. The net income retained by the airport will be needed to fund airport operations and facilities (*e.g.,* dining and retail infrastructure, parking,

roadways, etc.) that are not eligible to be paid by airline rates, PFCs or Federal grants.

It is worth taking a moment to note that, in addition to ensuring adequate, safe aeronautical capacity is in place, airports must also make substantial investments to provide for a wide variety of non-airline facilities. Providing for the many facets of the passenger experience requires airports to build ground transportation roadways and parking areas, restaurants and stores, recycling facilities, cell phone lots, etc. No Federal grants and no PFCs can be used to pay for these facilities.

If increased airline rates and charges, local taxes and non-airline net income are inappropriate or inadequate to the task, what about the options within the jurisdiction of the Congress: The Airport Improvement Program and Passenger Facility Charges?

In 2011, Congress capped the Airport Improvement Program (AIP) at $3.3 billion, six percent less than its funding level in 2007–2011. Not only was the authorization an overall funding cut, but the amount of AIP that is actually going to fund projects at airports has also decreased as administrative costs for the Office of Airports have grown. For a large hub like Sea-Tac, AIP can provide a share of the cost of an airfield project, but the AIP is wholly inadequate to have a meaningful impact on the funding needs of larger airports. However, AIP is critical to smaller airports throughout the Nation. It serves as a funding lifeline for projects at general aviation, non-hub, small hub and many medium size airports. The overall distribution of funds for decades has worked extremely well, balancing the needs of both general aviation and commercial service airports. As the AIP pot of money has decreased, though, smaller airports have felt the pinch as money available to fund AIP-eligible projects has decreased and local match requirement have increased. As a result, all size airports have had to turn to other funding options to pay for projects.

The AIP is funded through the Airport and Airways Trust Fund (AATF), which as a contract authority program has provided funding stability for airside projects in the entire airport system. As Congress explores options for changes for reforming FAA and the AATF, it is vitally important that airports be a part of that conversation.

The final option is the Passenger Facility Charge (PFC)—the funding source that, at Sea-Tac, is most closely aligned with the passengers who are using the airport and, along with the airlines, causing us to plan and pay for the tremendous facility expansion ahead. PFCs can and must be a critical part of the funding plan for Sea-Tac to meet the needs of our region and the NAS. The Federal cap on PFC user fees was last adjusted fifteen years ago—by $1.50 per enplanement. As you are aware, the PFC is a locally generated and approved user fee, not Federal funding. The Federal government never touches the fees and the decision to charge a PFC is made on an airport-by-airport basis by local airport governing bodies. In the case of Sea-Tac Airport, that would be the directly-elected (by the voters of King County) Port of Seattle Commission. While airlines and community stakeholders play a role in the PFC approval process, the decision about whether or not to charge a PFC user fee and use it as a funding source is truly a local decision and impacts only those passengers that utilize the airport's facilities. This allows airports and their governing bodies to make decisions that are in the best interest of their region to encourage competition among carriers, secure capacity increases and support economic growth through a passenger's direct investment in local airport infrastructure. As public institutions accountable to local citizens, airports balance the very real need to keep costs low while ensuring that aviation specific infrastructure meets regional demand.

As I mentioned above, the financing plan for our current capital program commits all but 10 percent of our projected PFC revenue stream until 2035. The remaining 10 percent would equate to about $8 million per year (in 2016) and, as you can imagine, would make a negligible impact on the $10+ billion cost of implementing our master plan.

This current Federal cap on the PFC means that in 2015 it is worth less than half of its spending power when the cap was adjusted in 2000. To provide airports the same PFC spending power today, the PFC cap would need to be $8.50. The outdated cap on the PFC prevents airports like Sea-Tac from making the capital investments required to meet the air travel needs of both our communities and the Nation. In addition, the Federal cap substitutes the Congress's one-size-fits-all decision making for that of locally-elected officials regarding appropriate fees for passengers at individual airports.

Our preliminary analysis indicates that, if Congress would modernize the PFC by making its spending power equivalent to the cap imposed in 2000, the Port of Seattle Commission would have the option of determining the appropriate PFC level and potentially make available $3 billion of capital to help pay for our $10+ billion

master planning investments. This would be $3 billion that would not need to go into the airlines' rates and charges.

I would like to pause here to address two of the often-articulated concerns about raising the PFC. First, many airlines claim that increasing the PFC would have a negative impact on the propensity of the American public to fly. This assertion flies in the face of the data. At Sea-Tac, average airfares increased by 27 percent between 2009 and 2014; during that same period, passenger volumes increased by over 22 percent. If one is concerned that there may be a lag in the impact of those airfare increases, that impact has not yet shown up at Sea-Tac: As noted previously, passenger volumes continue to grow, increasing by 13.1 percent through the first quarter of this year.

The national data tell the same story: The airlines' argument seems to make no sense when you compare a small adjustment in the PFC to the rising price of airline tickets. According to the Bureau of Transportation Statistics since 2009, nationwide airfares have increased by more than 23 percent, while air travel has increased by more than 7 percent. In addition, bag fees have increased 99 percent, resulting in $11 billion in airline profits over the same time period. The four dollars airports are seeking in order to fund projects that improve passenger service and benefit local communities pales in comparison to the billions of dollars that passengers are paying in higher airfares, bag fees, change fees, seat reservation fees, etc.

The airline trade association is also quick to claim that a PFC increase is not needed because the airlines are more than prepared to pay the costs of capital improvements through their rates and charges. While I cannot speak to what may be happening in other parts of the country, I will note for the Subcommittee that in the past few weeks, five separate airlines have appeared in front of the Port of Seattle Commission, to plead that the Port allocate our limited PFCs to the project that would reduce the rates and charges of the individual airline. Some airlines are quite articulate regarding the merits of the PFCs being used to fund a new International Arrivals Facility (thus, decreasing the costs of one rate base) or to fund other terminal investments (thus, decreasing the costs of other rate bases). None of the airlines disputes the importance of any of the projects, but they are all quite clear that they would prefer that PFCs be used for their preferred project in order to decrease their rates and charges.

The airlines' positions in Seattle seems to run counter to Airlines for America's messaging here in Washington, suggesting that the issue for the airlines is not so much whether increased PFCs would be a valuable funding tool, but who gets to make decisions about which airports increase PFCs, for what projects and to what levels.

I will conclude my discussion about our experience at Sea-Tac by reiterating that—at this point in time and based on what we now know while in the middle of our master planning process—Seattle-Tacoma International Airport will require increased Passenger Facility Charge fees in order to make the investments required to meet both the needs of our region and the needs of the NAS. If Congress is not prepared to eliminate the cap and leave such decisions wholly to locally-accountable officials, it should increase the cap to at least $8.50 and index it to account for inflation.

While Sea-Tac may, more than other airports, be facing the challenge of remarkable growth right now, our airport is not a lone exception. Other airports throughout the United States—large, medium, and small—face similar financial challenges. According to ACI–NA's most recent capital needs study, airports of all sizes need over $15.14 billion annually in infrastructure improvements to modernize aging runways and terminals, relieve congestion and delays, and spur new airline competition—far more than the $6.2 billion that airports received last year from both PFCs and AIP. As a result, infrastructure projects all over the country are stalled because of declining Federal grant dollars and the eroding purchasing power of today's PFC. ACI–NA and AAAE have chronicled several of these examples in a report it shared with many of you and posted on the AirportsUnited.com website, but let me highlight a few now:

- JFK, Pittsburgh, and San Diego need new terminal projects to meet growing demand and to spur competition in their markets.
- Newark and LaGuardia need to make airfield improvements to reduce chronic traffic delays in the New Jersey-New York metropolitan region.
- Chicago, Fort Myers, Kansas City, San Antonio, Dallas and Jackson, MS, all have delayed runway projects, which are constraining capacity at their airports.
- Los Angeles needs to move forward with a transformational ground-transportation plan for their severely land-locked facility.

- Reno and Savannah-Hilton Head both need to expand their Customs and Border Protection facilities to meet increased demand for international service.
- Gerald Ford in Michigan needs to build a consolidated checkpoint for TSA.
- Oakland needs to repair its airfield-perimeter dikes that do not meet FEMA's current flood-control standards.
- The list goes on and on . . .

In conclusion, America's airports are powerful economic engines, generating more than $1.1 trillion in annual activity and supporting more than 9.6 million jobs. New investments in airports will help local communities all across the country maintain their current air service and attract new carriers, which will increase competition and lead to lower fares for passengers. As I have detailed, the airport community is united in its belief that modernizing the PFC user fee and maintaining AIP are the best options for strengthening our Nation's airport system to meet the needs of today and the challenges of tomorrow. I appreciate this opportunity to testify before you today and welcome your questions.

Senator DAINES. Thank you, Mr. Reis.

Mr. Minerva.

STATEMENT OF MICHAEL J. MINERVA, VICE PRESIDENT, GOVERNMENT AND AIRPORT AFFAIRS, AMERICAN AIRLINES

Mr. MINERVA. Thank you, Mr. Chairman and members of the Subcommittee. Thank you for the opportunity to testify today about airport issues and infrastructure financing.

My name is Michael Minerva, and I am Vice President of Government and Airport Affairs for American Airlines. I am particularly pleased to be speaking with you since airport funding at the 225 domestic airports served by American Airlines is an everyday part of my job. I'm responsible for negotiating with airports over lease arrangements, capital projects, in addition to handling State and local government affairs.

I would like to talk to you today about what I experience firsthand when airports and airlines sit down together at tables to hash out how projects should be financed. I'd like to make two points:

First, airport by airport, airlines and airports are reaching agreements on capital spending, and will continue to do so without any change in the statutory PFC scheme.

Second, there is no lack of funding for airport improvement projects. Any gaps that exist between an airport's current conditions and the desired conditions result from the lead times and complexity involved in competing—completing airport projects, and not from any lack of funding. Many of our Nation's airport terminals, airfields, and systems are nearing the end of their useful lives. The airlines not only support projects to repair and improve airport infrastructure, we demand it, and we are willing to pay for it.

At the Nation's large-hub airports, generally, there are $70 billion in completed projects, underway projects, and approved projects. If the PFC tripled tomorrow, the incomplete projects would not move faster. That's because the pacing item for airport improvement projects is not a lack of funding, it is simply the lengthy process required to complete such complex projects, even when done exactly right.

For example, a new runway in Charlotte that is no more than a 2-mile paving project will take 7 years to complete, not because

of funding, but because of the complexities of planning for, designing, and building a project on an active airfield.

A fully-funded $2.7 billion terminal improvement project at Dallas-Fort Worth Airport will take several more years to complete, because only a few gates can be closed at a time. The limited factor is not funding.

And these examples are not exceptions, they are the norm, and they illustrate that increasing PFC funds today will not translate into changes tomorrow, due to the complexities inherent in airport improvements.

Now, it's no surprise that airports would welcome the extra cash from an increase in PFCs. Often, airports are under local pressure to undertake projects that are not urgent or necessary. And this is not a sufficient reason to fundamentally alter the existing dynamic that encourages airports and airlines to reach consensus on airport improvements. And, despite airport protestations to the contrary, this dynamic is generating tens of billions in new project dollars at the current PFC levels.

In fact, as someone who leads and works with a team that spends its days traveling to your communities and talking to the professionals who run your airports, I can tell you, airports and airlines work toward consensus much more than one might assume, listening to this policy debate in Washington. And, unfortunately, here in Washington, there's a lot of information about PFCs. Here are some facts:

First, indexing PFCs to inflation is not needed, because airport rent has well outpaced inflation. That is giving airports money to spend at a rate that increases faster than inflation and faster than ticket prices.

Second, local officials and airport directors tell airlines that they want us to keep fares in their communities competitive. Increasing the PFC makes it more costly for the public to fly.

And, third, airports have great access to financing for capital improvements, since their basic cost structures are guaranteed by the airlines. If an airport takes in less money than it spends, the airlines make up the difference.

Counterarguments to all these points were made 3 years ago as part of the last FAA reauthorization debate. Yet, since that time, airports and airlines have agreed to fund tens of billions of dollars in new projects. And the same will happen at the current PFC rates.

In closing, please consider that airports and airlines agree on the scope, pace, and funding of airport capital improvement projects, almost without exception and with the current PFC structures in place. Those capital improvements are coming, often not as fast as we all would like, because airport improvement projects take so long, despite the best efforts of everyone involved.

I'd be happy to answer any questions from the Committee members.

[The prepared statement of Mr. Minerva follows:]

PREPARED STATEMENT OF MICHAEL J. MINERVA, VICE PRESIDENT, GOVERNMENT AND AIRPORT AFFAIRS, AMERICAN AIRLINES

Good morning Chairman Ayotte, Ranking Member Cantwell, and members of the Subcommittee. Thank you for opportunity to testify today about airport issues and infrastructure financing. My name is Michael Minerva and I serve as Vice President of Government and Airport Affairs for American Airlines. I am particularly pleased to be speaking with you since airport funding at the 225 domestic airports American serves is an everyday part of my job. I am responsible for negotiating with airports over lease agreements and capital projects in addition to state and local government affairs.

I would like to talk to you today about what I experience firsthand—when airports and airlines sit in rooms and hash out how projects should be financed. I'll make two basic points. First, airport by airport, airlines and airports are reaching agreements on capital spending and will continue to do so without any change in the statutory PFC scheme. Second, there is no lack of funding for airport improvement projects. Any gaps that exist between an airport's current conditions and desired conditions result from the lead times and complexity involved in completing airport projects and not from any lack of funding.

If your only exposure to the PFC issue was at the national level, you might reasonably assume that arguing about PFCs dominates airport and airline discussions. That's not the case. The airline-airport relationship does not play out on the national stage. It's handled on an airport-by-airport basis with the airlines working directly with airport directors. Airports and airlines generally work together very effectively and have been doing so for years. The relationship is not simply one of landlord-tenant. We and our airport counterparts consider ourselves business and civic partners. Neither of us can exist without the other.

From a funding perspective, when you look at airports on an individual basis, as I do with over 225 domestic airports, you will not see the funding shortfall that is often claimed in Washington. Airports are funded by their users and not from general revenue—not even of the city, county or state where the airport is located. The agreements between the airlines and airports are structured so that the airlines protect the airport from any cost overruns and revenue shortfalls without accessing any taxpayer funds. If an airport brings in less money than it spends, the airlines make up the difference. Any cost certainty the airlines have comes from the managerial acumen of the airport staff. That's one reason we care so passionately about how airport projects are designed, managed and funded.

Many of our Nation's airport terminals and systems are nearing the end of their useful lives. The airlines not only support projects to repair and improve airport infrastructure, we demand it, and we are willing to pay for it. At the Nation's large hub airports generally, there are $70 billion in projects completed, underway or approved. If the PFC tripled tomorrow, the incomplete projects would not move faster. That's because the pacing item for airport improvement projects is not a lack of funding. It is simply the lengthy process required to complete such complex projects, even when done exactly right.

For example: the Charlotte airport wants to build a new runway to be online in the early 2020s to handle future demand. The airlines will pay for it—even though the PFC in Charlotte remains at 2/3 of the current statutory maximum. The airport, which has a strong history of executing projects efficiently, is starting the process in 2015 because the runway will take seven years to build—with half of that time needed just to prepare for and complete the environmental review process. The two-mile paving project—and that's all it is—will take a total of seven years because of the complexities of planning for, designing and building a project on an active airfield. That's just how long it takes—it has nothing to do with funding availability.

Terminal improvement projects face timing, not funding, challenges as well. An example of that is DFW, where the $2.7 billion fully funded Terminal Repair and Improvement Program, or TRIP, is underway. If you visit Terminal C at DFW, you see an old terminal. But if you visit the low Terminal A gates, you see a brand new one. That's because the TRIP program must be completed in small phases across the airport. A project like this takes a considerable amount of time, because only a few gates can be closed at a time, which means the project has to move slowly. The limiting factor is not funding.

These examples are not exceptions. They are the norm and they illustrate that increasing PFC funds today will not translate into changes tomorrow due to complexities inherent in airport improvements.

It's no surprise that airports would welcome the extra cash from an increase in PFCs. Often, airports are under local pressure to undertake projects that are not urgent or necessary. This is not a sufficient reason to fundamentally alter the exist-

ing dynamic that encourages airports and airlines to reach consensus on airport improvements. Despite airport protestations to the contrary, this dynamic is generating tens of billions in new project dollars at the current PFC levels.

As I've stated, airlines and individual airports address their capital needs without arguing about the PFC issue. But the fact remains that there is a lot of misinformation out there about PFCs. Here are some facts:

- Indexing PFCs to inflation is not needed because airport rent has well outpaced inflation. That is giving airports money to spend at a rate that increases faster than inflation and faster than ticket prices.
- Local officials and airport directors want airlines to keep fares competitive. Increasing the PFC makes it more costly for the public to fly.
- Airports have great access to financing for capital improvements since their basic cost structures are guaranteed by the airlines.

Counter arguments to all these points were made three years ago as part of the last FAA reauthorization debate. Yet since that time, airlines and airports have agreed to fund tens of billions of dollars of new projects. The same will continue to happen if the PFC remains at its current rates. That is because airlines believe in and support spending for airport infrastructure.

In closing, please consider that the airports and airlines agree on the scope, pace, and funding of airport capital improvement projects almost without exception, and with the current laws and PFC structures in place. Those capital improvements are coming—often not as fast as we would like, but only because airport improvement projects take so long despite the best efforts of everyone involved.

More PFC taxes simply will not deliver airport improvements any sooner. The airports as a group want significantly increased PFC funds they can spend on projects without the inconvenience of having to negotiate with the airlines that pay for airport facilities. The airlines prefer our current system whereby we and the airports continue to work collaboratively to determine how billions of our dollars are spent to improve the Nation's airports.

I'll be happy to address any questions from committee members.

STATEMENT OF HON. STEVE DAINES, U.S. SENATOR FROM MONTANA

Senator DAINES. I want to extend my thanks to the actual Chair of this committee for yielding to the Acting Chair to start with my questions. So, thank you, Senator Ayotte.

In my hometown of Bozeman, Gallatin Field's been operating since 1941. We are part of the Bozeman-Yellowstone International Airport. It has come a long ways to opening up that area. In fact, between 2000–2007, Bozeman pursued rapid infrastructure development fueled by increased tourism to Yellowstone National Park and a growing tech sector. The continued economic growth of the region is largely contingent on the ability to maintain regular air service. I can tell you, I can do this job, going back and forth, because of the great air service in and out of Bozeman.

We opened up a new terminal in 2011. And the FAA delegated Bozeman as a "small hub." In the four years leading up to the airport expansion, we saw a 15 percent increase in passenger enplanements in Bozeman, and, most recently, we've seen a 26 percent increase, compared to 4 percent nationally.

We've been very appreciative of the Contract Tower Program, because, without it, the Bozeman Airport would not have a tower. However, the airport's grown so much that it's now one of the busiest contract towers in the country. The airport continues to struggle with less staffing than their Federal counterparts. In fact, there are approximately 100 Federal FAA towers with less operations than Bozeman. While it's more common for a Federal tower to convert to a contract tower, Bozeman Airport is interested in possibly

converting into a Federal tower. The airport has informed me, just recently, that the FAA has been exploring this issue for years. And, when I inquire with the FAA about it, they said the FAA does not, quote, "convert contract towers to Federal towers," and they have no criteria for doing so. Despite the fact we have 100 Federal FAA towers with smaller operations than Bozeman, we're now Montana's busiest airport.

Mr. Hauptli, as a representative for small airports, it seems to me that there needs to be a mechanism for the FAA to right-size Federal towers to the busiest airports, and contract towers to the slower or smaller airports. Would you have any suggestions on how to best address this issue from an airport and the FAA's perspective?

Mr. HAUPTLI. Sure, Senator. I can't speak for the FAA, but I can speak for the airport side of that equation. The statistics that you cite, I think, are significant in terms of the growth that you've experienced at that facility and in your community. We'd be happy to work with you and your staff, talk with the FAA about potentially developing criteria for the conversion that you talk about. That's something, obviously, in the context of this upcoming FAA reauthorization bill that you could consider—that the Committee could consider—including in the legislation. Be happy to talk to you about that.

But, my understanding is you're correct, the FAA doesn't believe that they have, currently, criteria to deal with that issue.

Senator DAINES. Yes. Seems, again, with 100 airports right now with smaller operations with FAA towers, it seems like we could find a path forward there to solve that problem. So, thanks for your help on that, Mr. Hauptli.

Mr. HAUPTLI. Yes.

Senator DAINES. Mr. Dillingham, in your testimony, you discussed the decline in airport operations at most airports. While we've got airports that are growing, like the Bozeman Airport, and, now that we're a small hub, would you have any recommendations on how they can address growing infrastructure and funding needs?

Dr. DILLINGHAM. Are you referring to smaller——

Senator DAINES. Small airports that are growing.

Dr. DILLINGHAM. Right.

Senator DAINES. Yes.

Dr. DILLINGHAM. I think that the way the current Federal funding is organized, where there's a cross-subsidy for—from the AIP program to the smaller airports, that that is, in fact, one of the best ways to make sure that smaller airports can acquire the kind of funds that they need for infrastructure development. And, as you mentioned before, the Contract Tower Program is also another element that helps to make those small hubs more efficient. I mean, it's—one of the things that is sort of a consensus out there is that we need the spokes in the wheel to go to the major hubs. And those small airports make up part of that national airspace system or airport system.

Senator DAINES. Thank you for that thoughtful answer.

Mr. Hauptli, could you give us an example of some projects that have not moved forward because there hasn't been a Passenger Fa-

cility Charge increase? Raising airline ticket prices through PFCs is not an option when it already costs us more to fly to other cities because we have to connect through a hub to get to our final destination. So, what exactly is not getting funded at airports and why do we need to see an increase in the PFCs.

Mr. HAUPTLI. Sure, Senator. Thank you for the question.

It is a regular contention of my colleagues on the airline side of the equation that, "Well, you don't need an PFC increase, because things are getting built." And, to a large extent, many of the projects are, in fact, getting built at major facilities across the country. What happens is, they take much longer to get built, and it costs much more money than it should. It's much less efficient than it should be. Airports have a series of—from across the country, in various states—projects that we'd like to see accomplished through an increase in the PFC.

And, Senator, since you also are very focused on the small communities, I'd offer an example for your consideration of an unintended consequence in public policy in the last reauthorization bill. Congress doubled the requirement for local communities to come up with their share in order to get grants from the FAA. That has been very expensive, very hard for small communities to come up with those resources. An increase in the PFC would allow these smaller communities to use that for their local matching share and be able to build some of these projects.

Senator DAINES. Thank you.

Yield back to the Chair Ayotte.

Senator AYOTTE [presiding]. Well, thank you, Senator Daines, for taking over for us while we had another committee hearing going on, myself and the Ranking Member.

But, we're very pleased to have the Ranking Member of the overall Commerce Committee here today, Senator Nelson. I would like to call on him.

Thank you.

STATEMENT OF HON. BILL NELSON, U.S. SENATOR FROM FLORIDA

Senator NELSON. Madam Chairman.

And I just want to raise one issue. No doubt you all are aware that, last December, it was discovered, a plot of smuggling guns onto airplanes in the Atlanta Airport, flying to New York. The police were quite frustrated because all these guns were showing up on the streets of Brooklyn, and they couldn't figure out how they were getting there. They had policed I–95 and so forth. Well, the scheme was that, because there are many entry points for airport employees at the Atlanta Airport, that there is not extensive screening, an airport employee carried guns in. Then that employee went up to the sterile area of passengers and rendezvoused with a passenger who had an empty backpack, and transferred the guns into the backpack, and the guns were transported by plane. And it included a carbine. And when they arrested him—and this is going on several months, several trips—when they arrested him in December, he had 16 guns in the backpack. Now, it's a good thing he was a criminal and not a terrorist.

So, obviously, this has been addressed by the Access Control Working Group of which you all have been a part. But, lo and behold, I was very pleased to discover that, out of the 450 airports in this country, two airports that have addressed the problem are in my state. First, Miami, when they discovered a drug-smuggling ring, way back in 1999. And recently, a similar drug-smuggling deal in Orlando, in 2007. And what they did was common sense. They took the hundreds of entry points and boiled it down to a handful, and then put up the screening that is similar to what we, as passengers, go through. And not only do they screen the employees, the employee has a badge, the picture has to match, the swipe has to be current. And, in the case of Orlando, they've got to punch in an identification number.

Now, that's so common sense to take care of this problem. What do you all think about that?

Ms. PINKERTON. Senator Nelson, thank you so much for that question. Sharon Pinkerton, representing the airlines here. And I'm from Florida, so I'm very familiar with Miami and Orlando. And, in fact, I testified on this very issue about a month ago, after the Atlanta incident.

Since that time, as you're aware, we've worked very closely with Secretary Johnson, who announced the results of the Working Group and the recommendations that have been made. We think we need to pursue those recommendations as soon as possible and some of the things are those that you mentioned. For example, we need to reduce the number of access points at airports right now. We need to increase screening of employees, and we need to make sure that, when employees are traveling on personal business, they're not using their employee card to avoid screening. There's a list of 20-some recommendations. I can assure you, it's a very high priority for the airlines.

Senator NELSON. Well, Madam Chairman, I'll just say that this has been taken care of in two of the major airports. There are— but, there are 448 more airports, just in this country. And it seems, to this Senator, that it's common sense if we are going to give the assurances to the traveling public that they are going to be safe. And this is a serious breach of potential safety.

Thank you, Madam Chairman.

Senator AYOTTE. I want to thank Senator Nelson. You raise such an important issue here. And I have to say, just having reviewed the response to both Chairman Thune and yourself from the TSA Acting Administrator, this is something that leaves me with more questions than answers, because one of the things, as I see in this response—and I think, Mr. Hauptli, you can help me with this— is basically, when it comes to lost, stolen, or otherwise unaccounted for badges or airport credentials in the last 5 years, the Acting Administrator says, "TSA does not maintain a record of lost or unaccounted-for airport IDs," and basically turns it back to the airport, saying, "Airport operators issue and are responsible for conducting periodic audits and maintaining records for one year." And if the percentage of those unaccounted sort of reaches a breach level, then there may be something done about it, but it doesn't seem like that information gets translated back at all to TSA. So, where are we left with all of this? I see this as a huge, gaping problem that

the Ranking Member rightly—obviously, he's got some ideas from his airports. But, what are your thoughts on this?

Mr. HAUPTLI. Thank you, Senator.

The Aviation Security Advisory Committee that was referenced earlier has come out with a series of recommendations—28 in all. Secretary Johnson announced the other day five immediate actions that would be taken including additional recurrent vetting—the point that you raised, Senator—to try and make sure that we are, on a more continuous basis, vetting those employees. And the airport community is supportive of that effort, going forward.

You are correct that if a particular facility reaches a threshold, a single-digit, I would say single-digit threshold, then it triggers rebadging the entire population. I met, yesterday, with the acting head of TSA, and we discussed this issue, discussed how we can strengthen this effort, going forward. It is, I would say to all of you on here, a multi-layered, risk-based effort that needs to be undertaken to prevent these kinds of breaches.

Senator AYOTTE. Yes, I appreciate it. This is obviously of deep concern, because if you think about that you're doing on a percentage basis, in terms of the review, the risk-based assessment becomes even more important, because it's not really the number of people who get issued the badge, but those that are unaccounted for, or the security credentials unaccounted for, because it only takes one. Right? So, I think that looking at the review and the risk-based element becomes even more important, rather than the number. So, I'm glad you're focusing on it. I see this as something that I'm glad the Ranking Member raised, because it's incredibly important. And I was a little troubled by the response of TSA. I think we need to be more direct in addressing this.

I wanted to follow up, Mr. Hauptli, on the contract tower issue. The Inspector General audit of the FAA Contract Tower Program concluded that FAA contract towers provide cost-effective and safe air traffic control services and operate a lower cost than similar FAA-operated towers. The Inspector General found that contract towers, on average, cost $1.5 million less per tower compared to the FAA tower system. Mr. Hauptli, in your testimony, you note that the FAA is in the process of revising its cost-benefit methodology in a way that could skew the analysis of a contract tower's value, potentially threatening their continued operation, which would be—you know, as I look at communities in New Hampshire, especially Nashua, New Hampshire—that would be bad for the safety of the flying public. Can you please expand on your statement and also address how you believe this new cost-benefit methodology could impact the Contract Tower Program?

Mr. HAUPTLI. Sure. Thank you for the question, Senator.

Hit the rewind button just a little bit and go back to sequestration, round 1, where the FAA attempted to close many contract towers.

Senator AYOTTE. I remember this well.

[Laughter.]

Senator AYOTTE. I think many of us on this committee do.

Mr. HAUPTLI. I wanted to mention it because it would provide me an opportunity to say thank you to members of the Committee for your very vigorous support of the Contract Tower Program and

your efforts to address this. And we greatly appreciate it, airports around the country.

You're correct, the Contract Tower Program handles 28 percent of the operations in this country, yet only costs 14 percent of the cost. There are tremendous cost savings involved. The safety level is without question. It's a very effective program and, frankly, we believe, should serve as a model for other areas of government, a partnership between industry and government, going forward.

As it relates to what's taking place today at the FAA, we are concerned. The FAA is looking at revising the cost-benefit analysis. And our concern is, early indications have us thinking they're putting their thumb pretty hard on the scale of the cost side, but they really aren't doing the same when it comes to the benefits. We believe, as an example, that once a cost-benefit analysis of a tower is done, that that should be it, and the tower should be able to operate. The FAA wants to do almost—I won't say "continuous"—but much more repetitive cost-benefit analysis at some of these facilities. And we just are concerned that, in the administration's efforts to save money in certain areas, that this is one area where they haven't really shown that they have as great of appreciation for the Contract Tower Program as many of the members of this committee do. So, we're watching that very carefully and would ask the Committee, in its consideration of the next FAA reauthorization bill, to be vigilant in that regard, as well.

Senator AYOTTE. Thank you.

I'd like to call on Senator Cantwell.

Senator CANTWELL. Thank you, Madam Chair.

And let's—I want to dig into this issue on how we move forward, because I think probably nobody cares more about the health of airlines than a Senator from Washington who wants the aviation industry to be strong, in general.

Obviously, airlines oppose increasing the Passenger Facility Charge, because the PFC is one of the fees included in total ticket price, and they argue that that impacts the passenger demand. And airlines also maintain that there has been ample funding in the PFC, looking at 2014 reaching a record high of $2.9 billion. So, the past decade has been a very challenging one for airlines. But, the current financial state of the industry has improved, and obviously we need to make infrastructure investments, as well.

So, Mr. Reis, do you want to talk a little bit about what—how you've dealt with this at Sea-Tac? Because I know that airports are able to generate revenue from non-aeronautical operations, such as the dining and parking and stores. And, you know, if you've ever been to Dubai, you look at that airport, and you think, "OK, how much money are they generating from all those activities?" But, that revenue that we generate here in the U.S. can be used to fund operations or facilities which are not permitted uses of AIP or the PFC. So, the current agreement between Sea-Tac and airlines require that half of the net income from those non-aviation operations be diverted to reducing the fee charged to airlines and airports.

So, is that something that's across the board? Do you think this is something that we should be looking at as part of legislation?

Mr. REIS. Thank you for the question, Senator.

You're absolutely correct that, at Sea-Tac Airport, fully half of our net income from all of our non-airline sources is used to actually reduce the rates and charges of the airlines. Now, that is a provision in our lease agreement with the airlines. And it's important to note that the old saying of "When you've seen one airport, you've seen one airport" applies to lease and use agreements just like it does to facilities and local politics, et cetera. So, each airport and the airlines that serve that airport have a lease agreement of one sort or another, with very few exceptions, which operate under an operating agreement. And the provisions of those all vary.

So, in our instance, we generate about $45 million of net income from our non-airline revenue sources. Half of that is used to reduce airline costs, and the rest of it, we need to invest in various facilities. Mostly, we seek to use that money for projects that the airlines are not responsible to pay for under the lease agreement and are not eligible for Federal moneys. On the other hand, we—one of the major projects we are undertaking at the moment is a new international arrivals facility. And we are proposing to invest a very significant amount of our net income, our retained earnings from non-aeronautical sources, in that facility in order to bring the cost of the facility down.

Now, interestingly, Mr. Minerva and Ms. Pinkerton both made a very big point of, "Airlines and airports work together and work all this stuff out." And it is true. The vast majority of the cases, that really does happen. In this particular instance, though, many of the domestic airlines are indicating they intend to vote against this international arrivals facility because they don't like the financing arrangement.

Nobody thinks we don't desperately need a new international arrivals facility. Certainly, the Senator knows, if you arrive at Sea-Tac today, going through a 40-year-old facility that is subterranean is not a very good front door. So, airlines, airports, everybody, the community, knows we need to build the facility. The airlines are indicating that they're going to vote against this and seek to stop the project because we are not devoting enough PFCs to that project. It's not because they don't think the project's a good project. It's because they want us——

Senator CANTWELL. The airlines, in this case, want the PFC that's already—revenue allocated to this.

Mr. REIS. Correct. The argument is that we are devoting too many PFCs to this international arrivals facility, and not enough to other projects. So, it really comes down to which airline rate base will get the benefit of PFCs, because airports cannot charge the airlines for the costs of a project that are paid for by PFCs.

So, as I said in my oral statement, in Washington, D.C., the airlines are saying a PFC is not necessary. In Seattle, on the ground in the real world, they're arguing about the allocation of the PFC to a project because it will reduce their rates and charges.

Senator CANTWELL. Well, I have 11 seconds left. Well, I can wait and hear from the airlines. But, I do want to hear from them on what they say about this. But, I also want to make a point about——

I think we need to dig into this issue overall. I really want to understand how all the revenue from the airports are generated. I

really do have some concerns about the flying public, who basically get charged an exorbitant rate for a bottle of water, when they really want a different product.

I do want to congratulate Sea-Tac for having, I think, been voted one of the healthier foods of the airport industry. And that's not just from me. I cringe when I see pilots, here at D.C. National, trying to find something that they want to eat. And I guarantee you, there's very little at National Airport that I want pilots eating, because it's high-fat-content fast food that is not what I really want pilots eating. So, I think there are a lot of issues about, what else can airports do in generating—you know, I mentioned Dubai, but I really do think that this issue about, what are the future partners for airport facilities to generate more revenue? Particularly now that consumers, because of safety have more time there.

But, anyway, I want the airlines to comment about their—this PFC issue. And I'm happy to wait for an answer, Madam Chair, on the next round, too. So——

Senator AYOTTE. OK. Why don't we—I know that Senator Wicker has to get going, so why——

Senator CANTWELL. Yes, fine.

Senator AYOTTE.—don't we go to him.

Senator CANTWELL. Thank you.

Senator AYOTTE. Thank you.

STATEMENT OF HON. ROGER F. WICKER, U.S. SENATOR FROM MISSISSIPPI

Senator WICKER. Thank you.

And thank you, gentlemen.

Mr. Hauptli, I came here with hopes, in my 5 minutes, of talking about AIP, contract towers, and Passenger Facility Charges.

Mr. HAUPTLI. Yes, on all three, Senator.

[Laughter.]

Senator WICKER. Yes. So, I'm glad the Chair, Senator Ayotte, covered the contract towers question. Let me just reiterate that, in the industry and in Congress, the Contract Tower Program is viewed as one of the most successful government-industry partnership programs. And, it's my understanding—and correct me if I'm wrong, sir—contract towers handle about 28 percent of all tower aircraft operations, but account for only about 14 percent of the spending.

Mr. HAUPTLI. You're exactly right, Senator.

Senator WICKER. Very good.

Well, let's move on, then, since Senator Ayotte covered that, to the AIP program. The President proposes $2.9 billion for the next Fiscal Year, although there's a $3.2 billion AIP funding threshold. This would mean that all direct apportionments would be cut for nonprimary designated airports and entitlements to airport, with a primary designation being reduced drastically. In my state of Mississippi, only three of the 74 airports are designated as primary.

So, what types of airports are most reliant on AIP funding? And what airports would stand to lose the most if AIP continues to be cut as the President has proposed? And how would small communities and nonprimary airports be affected by the administration's proposal?

Mr. HAUPTLI. Right. Senator, thank you for the question.

While airports of all sizes benefit from the Airport Improvement Program, certainly the smaller the airport, the greater the percentage reliance on that funding stream, that Federal funding stream represented through the AIP program. So, I'd say that virtually all of the airports in your State, Senator, would be jeopardized by the administration's proposed funding level of $2.9 billion, certainly without Congress stepping in to make an adjustment to deal with that threshold at $3.2 billion that you suggest, that you reference in your question.

We believe that the AIP program, as I mentioned earlier, has according to the FAA nearly $7 billion in eligible projects, yet Congress is funding at closer to this $3 billion level. We believe that there is more than enough justification for a higher authorization level for the Passenger Facility Charge Program. This committee, in the previous FAA reauthorization bill, had a much higher authorization level for the program, and it got whittled down as that bill made its way through the final process. So, we would support very robust funding for AIP in the future to guarantee that revenue stream to protect the smaller airports in the country.

Senator WICKER. As a matter of fact, our calculations are that we'd—would—96 percent of my airports in Mississippi would be disadvantaged under this proposal.

Now, you said your answer to the PFC question would be yes. So, I've just got to learn to phrase it correctly——

[Laughter.]

Senator WICKER.—so it will be a question that I want to get a "yes" answer to.

Mr. HAUPTLI. "Should I vote for an increase in the Passenger Facility Charge?" I think was your question.

[Laughter.]

Mr. HAUPTLI. The answer is yes, Senator.

[Laughter.]

Senator WICKER. Tell me again. Why—I think we understand why the larger airports are in favor of this—why are so many small and medium-sized airports with lower passenger volumes also interested in this issue?

Mr. HAUPTLI. It's a great question. And it's, frankly, sort of counterintuitive. But——

Senator WICKER. It is.

Mr. HAUPTLI.—some of the biggest supporters of an increase here in modernizing this program come from some of the smallest airports. One reason is that in the last round of FAA reauthorization Congress agreed with an administration suggestion and lowered the percentage that the Federal Government would support in what the match would be for a smaller airport. In other words, airports—smallest airports now—instead of only having to come up with a 5-percent matching share requirement, are now required, under Federal law, to come up with 10 percent. And, as you know, Senator, in many small airports, many small communities, coming up with that increased local matching share is very challenging. An increase in the Passenger Facility Charge would allow those smaller airports to come up with that local matching share.

Senator WICKER. So, that's one reason.

Mr. HAUPTLI. Yes, sir.

Another reason would be to increase the Passenger Facility Charge at the smaller airports, is that it is a necessary function for them in order to build some of these additional projects that the airlines wouldn't necessarily be supportive of. So, greater autonomy in deciding how and what gets built in their community. And again, Senator, our contention is that the unit of government closest to the people—the city councils, the mayors, the airport boards—are the ones who should be making this decision, not all of us here in Washington, D.C.

Senator WICKER. Thank you.

Thank you, Madam Chair.

Senator AYOTTE. Thank you, Senator Wicker.

Senator Gardner.

STATEMENT OF HON. CORY GARDNER, U.S. SENATOR FROM COLORADO

Senator GARDNER. Thank you, Madam Chair, for the hearing.

And thanks, to the witnesses today, for your time and testimony.

I just—I kind of want to follow up and just have a little bit of a discussion on the—this PFC issue and the negotiations that take place. And so, Mr. Hauptli, Mr. Reis, when you are negotiating with an air carrier to—airline—to have gates at your airport, you negotiate a set price or rate, right, for the use of that facility and that gate?

Mr. REIS. Well, Senator, our airline agreement, like the vast majority, is a cost-based agreement. So, we, on an annual basis, calculate what we need to charge for gates, ticket counters, ramp space, et cetera, based on formulas that are in our airline agreement that define these, in our instance, for a 5-year agreement; sometimes they're 7-, 10-, 20-year agreements. So——

Senator GARDNER. And does that vary by airline, if it's 5 years or 3 years or 10 years? Does it vary by airline at the airport?

Mr. REIS. No. We have an agreement that covers every single one of the signature airlines. So, there are some airlines who might fly once a day, might fly three times a week, with a single flight, who choose not to become a signatory to the agreement with the airport. But, we have 28 airlines who are signatories to our agreement. This includes, of course, all of the large airlines, but many ones who don't fly very much at all. And it's that agreement that defines the cost-based cost-recovery rates for each of our facilities.

Senator GARDNER. So, would the PFC go into this discussion if it was a—you know, if the administration's proposal or other proposals were to go to $8, $8.50, would that be a part of the discussion, in terms of the rates that these—that they would pay? Would they ask for a lower rate, you would anticipate?

Mr. REIS. Well, it would be an automatic part of the calculation, because a very, very large part of the cost-recovery rate for all of our facilities is the cost of capital—paying back debt service for bonds, et cetera. And if we use a PFC to build some gates, or we use it to build a runway, we don't charge the airlines for that.

For example, in 2008 we opened our third runway. It was about a 20-year project, most of which was permitting. Very—we built it pretty quickly once we got all the permits and the litigation over-

due. And we have paid all of the debt service for that runway through PFCs. So, as a result, a brand-new runway that cost us a billion dollars to build, mostly because of the civil engineering in order to create the space to build the runway, the airlines do not pay a penny for. So, that's how the rates and charges—PFCs will play into the rates and charges.

Senator GARDNER. And so, I guess, Mr. Minerva, then if the rates—or PFC were to increase, would you be looking for something out of the airport to try to offset that—the PFC cap were to be lifted?

Mr. MINERVA. I think the way that Mr. Reis described it makes the most sense. And let me actually—about the leases—and let me start from a ground zero. Because this is the way that airlines look at our airport leases.

Airport leases are a way of allocating costs and revenues at the airport. And the revenues at the airport come from the airlines—the passengers, whether they're coming there to fly or they're parking, they're buying good, whatever. Those—that—those are the sources of revenue. So, an airport will, basically, add up all of its costs, add up all of its revenues, and then the lease agreement determines how those things are allocated.

Now, a lot of those costs—when an airport takes on an additional project or takes on additional cost—the burgers cost what the burgers cost, right? The parking costs what the parking costs. So, those things tend to sit at their level. Any additional costs tend to be incurred by the airlines. And a lot of that is cost of capital. So, if an airport goes out, sells bonds to fund a project, then the debt service goes into that stackup of costs, which is generally paid for by the airlines. In a PFC, the money comes out of our ticket. It's not free to us.

Senator GARDNER. Right.

Mr. MINERVA. The money comes out of the tickets that we sell. And it comes out of that source rather than out of—than being added to the stack of airport costs. So, it's really—when you look at any new project, you say, well, some may be bond, some pay be PFCs. All may be bonds, all may be PFCs. It doesn't reduce the operating cost of the airport, it just is a separate funding stream.

Senator GARDNER. In terms of changes you would like to see, if PFC caps were to be lifted, what changes would you like to see in oversight, in involvement, more say in where money is spent?

Mr. MINERVA. I'm having trouble envisioning a world in which I'm living with a higher PFC, so the conditions that would apply in that world are a bit foreign to me. We don't think there is a problem that a higher PFC would solve. And we would urge the Committee to look closely at the examples of projects that are not being done. We're not really aware of—I mean, we have seen a list from the airports. Some of the list of projects on that list have already been done, some of them our airports have never even talked to us about. So, we think, really, the focus ought to be on what projects are not getting done and what projects are getting done.

Senator GARDNER. And so, that could be a change, even under existing PFCs. You're talking about concerns with what is being done at the existing rate it is. And that's one idea for additional involvement?

Mr. MINERVA. Well, we think that the current system drives a lot of airport and airline consensus. And one of the things you heard Mr. Hauptli say is that decisions should be made at the local level—we agree with that; by the airport directors—we agree with that, in part. But, we think that it's best made in conjunction with the airlines so that the local officials, city, State, airport operator, working with the airlines. We don't think those decisions ought to be made unilaterally. Because, when you have projects of 700 million, a billion, $2 billion, we think that you get better projects when the airports and the airlines work together. That's what's happening today.

Senator GARDNER. And, to the best of your knowledge, did the gyrocopter pay a PFC?

[Laughter.]

Senator GARDNER. Thanks, Madam Chair.

Senator AYOTTE. Senator Klobuchar.

STATEMENT OF HON. AMY KLOBUCHAR, U.S. SENATOR FROM MINNESOTA

Senator KLOBUCHAR. Thank you very much, Madam Chair.

Thank you so much, all of you, for being here. Many of my colleagues remember the last FAA reauthorization bill and the tough issues. And, unfortunately, delays on coming to an agreement, as we all remember, led to 23 separate short-term extensions and a partial shutdown of the FAA. I remember how much that affected some of our smaller airports. And I really do not want that to happen again. So, I'm going to start with that.

I know that many in the aviation issues have—industry have issues that they'd like to see addressed this year, but I also think we need to stress that we need more certainty provided by a long-term reauthorization bill. Even the last reauthorization caused some uncertainty for our airports.

Mr. Reis, how important is a long-term reauthorization in planning for the future for airport investments?

Mr. REIS. Well, you've raised a very good and very hot issue, in many ways. Certainly, the reality that the FAA faced in that period of time when we had the succession of 6-month extensions, 3-month extension, 2-week extensions, was quite unnerving. They could not issue grants, because they really didn't know how much money they would really have for the entire year. So, it was—especially for small airports that need grants and need them on an annual basis, it really required them to delay projects and, in some instances, lose an entire construction season because the FAA could not make a grant, even though both the FAA airports office and the airport understood that it was programmed, because they technically did not have a commitment of the money. In some instances, those projects actually delayed through a summer and into the next construction season.

Senator KLOBUCHAR. OK, thank you. I know there has been a number of discussions related to reforming the air traffic control system in the FAA reauthorization. I know we're going to have a more detailed hearing on that later. But, I'd like to get the airport perspective on the proposals that would put the Airport Improvement Program into discretionary funds and remove it from the

trust fund. Maybe, Mr. Hauptli, if you want to take that. Can you please share your thoughts on what this would do to the program?

Mr. HAUPTLI. Sure. Thank you, Senator. Great question, very topical question, and an item of significant concern for the airports.

We want to make sure, in whatever goes forward with air traffic control modernization, that the AIP, the Airport Improvement Program, piece of it remain within the Aviation Trust Fund. We need that predictable, stable funding stream that is supported by the users of the system rather than subject AIP funding to the vagaries of the Federal budget process and general revenues.

Senator KLOBUCHAR. Very good. Thank you. I like that term, "vagaries." That would be correct.

Dr. Dillingham, our Nation's airports are located in small rural areas, as well as big ones. We have a big hub that we're proud of in Minneapolis and St. Paul, a little like Newark. Maybe not quite as big.

[Laughter.]

Senator KLOBUCHAR. But, we also have a lot of small rural airports. And the Small Community Air Development Grant Program and the Essential Air Service are crucial to keeping these rural areas thriving and connected to the rest of the world. What, if any, steps has GAO indicated can be taken to address these—some of the issues we've—having at the smaller airports? And, you know, what do you think we need to do to keep these routes strong?

Dr. DILLINGHAM. Thank you, Senator, for the question.

Yes, GAO has looked at both the EAS program and the Small Community Development Program. We have recommended that the Congress may want to look at extending the eligibility for the Small Community Development Program. We've also said, in fact, that the EAS program, although controversial, is necessary for some small rural communities. We also recommended—when we did our work, a couple of years ago, that we should be also thinking intermodally. And, by that, I mean——

Senator KLOBUCHAR. The hub, the—uh-huh.

Dr. DILLINGHAM. Right, exactly. But, also the—to the extent that it is—it makes sense, you could think about whether there's a bus link to a bigger hub or a close hub, or even an air taxi to a hub. So, you know, all of our work has suggested that we have a national system and we need to have that national system connected by the most efficient means that are available.

Senator KLOBUCHAR. Very good.

Last—I'll just put this on the record—but, in the last FAA reauthorization, I made sure to include the language, in Section 154, that required the FAA to give processing priority to airport construction projects carried out in states where the weather during a typical year prevents construction projects from being carried out before May 1, like states like mine, where, as I noted at our weather hearing yesterday, it was 41 below zero, without windchill, and embarrassed Minnesota one day last month. But, the point is, is that I think that's been helpful. And I guess I'll put that on the record for you, Mr. Hauptli, to give those states some priority when they have—during those construction seasons.

Mr. HAUPTLI. Right. And I would just add, very briefly, Senator, I was in the great state of Minnesota on Tuesday, meeting with the

great airport director, Jeff Hamiel at Minneapolis, and there were snow flurries——

Senator KLOBUCHAR. Yes, OK, thank you.

Mr. HAUPTLI.—on Tuesday.

Senator KLOBUCHAR. Thank you for backing that up. And we will put——

Mr. HAUPTLI. So, it backs your point.

Senator KLOBUCHAR.—we will put that on the record, despite the fact that Senator Sullivan claims that Alaska is colder. That is just not true.

[Laughter.]

Senator KLOBUCHAR. All right. Thank you very much.

Senator AYOTTE. Senator Booker.

STATEMENT OF HON. CORY BOOKER, U.S. SENATOR FROM NEW JERSEY

Senator BOOKER. Jumping in real quick. And thank you, Chairwoman.

We've got a problem in our region. You know, we have, serving New Jersey, the busiest airports in America. At least four of the five airports in the United States, the FAA has already identified four of the five Jersey-serving airports—or, four of the five busiest airports are Jersey-serving airports that the FAA has identified as capacity-constrained all the way through 2030. There's congestion, there's demand, and it's such a critical area of our global and national economy. To me, it's just unacceptable that the three airports in the New York/New Jersey region, or, as I like to call it, the New Jersey/New York region——

[Laughter.]

Senator BOOKER.—are ranked—they're ranked on the bottom of all on-time arrivals because of these problems.

There's an urgent need to invest in New Jersey's airports. A report last year showed that we're ranked last—last in the 50 states—in the amount of Federal airport improvement grants we receive per passenger. We need to invest more in this infrastructure. And it's frustrating to me to see that we're not in some way keeping up. And so, I'm eager to work with everybody—a lot of my friends in the airlines, in the airports, and the FAA—see if we can come together to figure out how to deal with this specific regional crisis.

I do want to explore more—and we don't have the time here—a lot of the different views I'm seeing on some of these issues. But, just really quick, Mr. Hauptli, over the last four decades, investments in our airports have not kept pace with what's needed, as I've just described. And I'm curious, are there some investments that should be being made in our region that could really help with airport capacity and the increased on-time arrivals?

Mr. HAUPTLI. Absolutely, Senator. And thank you for the question.

Just as an observation, in your region, in the aftermath of the superstorm, you know, we saw pictures and video of runways under water. The Port Authority of New York and New Jersey has undertaken a very significant project to both expand runways at JFK, widen them, and then also raise them so that we don't have

this safety concern in the future. Passenger Facility Charges are a vital element in that project, going forward.

Senator BOOKER. Right. I'm sorry, did you want to—Ms. Pinkerton?

Ms. PINKERTON. Yes, we completely agree that the airports in New Jersey and New York are critical. I know United is working closely with the airport there to pursue improvements at Newark. I also think that there—is a lot to know—the Vice President has cited LaGuardia's central business terminal as an example. And we support that need. I think, unfortunately, what's holding back some of these projects, and that project in particular, the Governor decided that he wanted to wait to pick a public/private partner in LaGuardia. So, there's private money that's begging to get into LaGuardia, but, because they have to wait for this redesign competition to be done, that project has been delayed yet again.

I think another thing that's unique about New York, but there are also other projects that fall into this category, a series of airports exist today that are called "revenue diversion airports." And under that scheme, there's about—almost $430 million every year that goes off of the airport—airport revenue that goes off of the airport.

So, I mean, what we've tried to lay out here today, Senator, is, we want JFK, Newark, and LaGuardia to be modernized, and we're standing ready, willing, and able. The question here is, Do you want to raise the rate base, which airlines are saying we're ready to do that, or do you want to increase taxes? And so, we think there are a lot of other issues—I agree with Senator Cantwell——

Senator BOOKER. Well, that's the picture—if I can, just to get out my last question—I mean, that's the picture—everybody's identifying the urgency. We're spending less in Fiscal Year 2015 on airport improvement investments than we were in 2007. My frustration is, is that the money does not seem to be getting to where we need it. And is the question that we need to raise the fees or do we need to better allocate the dollars that we have? And I see, Mr. Minerva, you referred to that, as well.

So, I just want to—just let me end with this. You know, there's a dramatically growing number of passengers, and we see that, the volume continuing to grow. I'm worried that we get the least percentage of AIP per-passenger funds. As I look at the allocation of those dollars nationally, in New Jersey, we're really at the bottom. And so, really quickly, in the seconds I have left, we know we haven't even—the PFC, there are a lot of calls for it to be adjusted to inflation. There's debates back and forth whether we have enough money, or not. But—so, Ms. Pinkerton, let me just end with you. What steps are airlines taking to ensure the proper investment in our airport infrastructure in order to allow for the growing demand, and especially in the highly congested hubs? And again, I need to——

Ms. PINKERTON. Yes.

Senator BOOKER.—explore this more, but——

Ms. PINKERTON. Well, I think you've raised an interesting question about how AIP is allocated. And I think what you heard Dr. Dillingham say—right now, AIP, there's no doubt about it, the vast majority of AIP goes to small and non-hub airports. In fact, $1.8

billion, or 55 percent, of AIP goes to airports that support 3 percent of passenger traffic. Now, a lot of that is because the GA airports are getting a tremendous amount of money. So, it's a balance, because I've heard a lot of other folks on the Committee today say they want that money to go to small communities. And I understand that.

So, what are we doing? We're investing our own money in these airports. I mentioned earlier, JFK, you've got JetBlue's terminal 5, Delta's terminal 4, Newark, as well, is an example. So, we are literally—not just PFCs, not just AIP, but we are putting our own money in these airports. And we're committed.

Senator BOOKER. OK, thank you.

Thank you.

Senator AYOTTE. Senator Schatz.

STATEMENT OF HON. BRIAN SCHATZ, U.S. SENATOR FROM HAWAII

Senator SCHATZ. Thank you very much.

I have a question for the panel. The Commerce Department has an ambitious but reachable goal of attracting 100 million international visitors by 2021. It's supported by the private sector, State and local tourism authorities. But, a potential chokepoint is the airports, themselves. A recent U.S. travel survey estimates that, within the next 6 years, the top 30 U.S. airports will experience Thanksgiving-like congestion at least once a week. Not the most welcoming impression for our international visitors. One study estimates that the U.S. economy will lose 48 billion a year in lost travel spending by the year 2034 because of capacity constraints. With international travel expected to increase by more than 2 percent each year, we've got to make sure that our airport infrastructure is up to the task.

So, the question for the panel is, What infrastructure improvements do we need to make to ensure that our airports are globally competitive and that we can meet our ambitious but reachable goal? And I'll start with Dr. Dillingham.

Dr. DILLINGHAM. Thank you, Senator.

I think one of the most important things that we need to focus on is the implementation of the NextGen, the next-generation air transportation system, and all of the capabilities which that is forecasted to bring, in terms of increasing the efficiency and capacity at the airports as well as in the air. That would be the number-one suggestion that we would make, to make the U.S., and keep the U.S., competitive in international travel.

Senator SCHATZ. Thank you.

Ms. PINKERTON. Yes, thank you, Senator.

I've worked very closely with the White House and DHS on that travel and tourism initiative. Frankly, our focus has been on what we think is the real chokepoint—Customs lines have been extraordinary long. We face three and four hour waits. Again, airlines have taken it upon themselves to spend their own money, through rates and charges, on what are called APC kiosks, so that now, when people are coming into JFK, the lines are much shorter. Miami's been another focus for us. So, I think we need to continue to work on that entry process and also continue to work on the infra-

structure at those gateway airports, which, again, we are investing our own money, and we're committed to continue to do that.

Senator SCHATZ. Before we move on, I agree with you about Customs and Border Protection, and I agree that that's currently the—likely the rate-limiting factor for a lot of our international arrivals. And I also understand that the—a fair amount of progress has been made—consular offices and everybody else is working on this, and progress is being made. But, it is a question of physical infrastructure, as well. And so, to me, part of working the strategy is to understand that, as we improve CBP, that we will then find ourselves with the infrastructure being the problem. And the problem with infrastructure needs is that you cannot make operational changes that will overcome a lack of planning or a lack of funding. In other words, they will be upon us, and we'll be 5, 10 years behind the eight ball. Whereas, some relatively simple, you know, executive branch changes made a real difference.

So, I just wanted to say, I think you're right. I think the administration has done the right thing here. But, from a long-term infrastructure planning standpoint, we've got to get on the physical aspects of the airports if we really want to reach 100 million international visitors.

Mr. MINERVA. Senator, we certainly agree with that. And I think one way to look at this—the way that the airlines, and I would say the airports, tend to look at it is less on a national basis and more on an airport-by-airport basis and looking what each—at each airport needs, see an expansion of the Tom Bradley International Terminal in Los Angeles, a recent North Terminal in Miami. Mr. Reis talked about his facility, which, you know, we have a different view on, in terms of the funding question there, where there are six funding options, and there's a disagreement as to which funding option. Not every airport has six funding options. But, Sea-Tac was able to lay out six separate ideas. And so, right now you're sort of in the middle of the—it can be a rough-and-tumble world out there between the airlines at airports. And the airlines disagree on which of the six to fund. But, it's—there's no lack of funding and no need for a higher PFC there.

So it really is something where we look at each airport and try to figure out what the growth at that airport will be, and how to handle it. Because those passengers, when they start clicking on the Website to the time they finish their final journey, they've paid us for that journey, and they hold us responsible for every bad thing that happens on that journey, whether it's a line in immigration or at TSA and things that we don't have as much control over.

Senator SCHATZ. I'll take the rest of the answers for the record.

But, I did want to mention, Mr. Hauptli, if you wouldn't mind taking a question for the record. I'm deeply passionate about Essential Air Service. It's especially important in an island State. We're the most isolated populated place on the planet, and we really depend on Essential Air Service, and want to make sure that, from an appropriations standpoint, an authorization standpoint, that we continue to be supportive.

I'm sorry, my time is expired.

Mr. HAUPTLI. Senator, I will take that for the record. And I just wanted to very quickly echo what you said about——

Senator SCHATZ. With the Chair's permission.

Mr. HAUPTLI.—physical—Ma'am?—physical infrastructure, very quickly. I just wanted to compliment you, Senator, and your staff. You talked about the limiters on international arrivals. In Hawaii, one of the big limiters is the fact that there's only a single point of entry: Honolulu. You and your staff have worked very hard with the Hawaii Department of Transportation, working with CBP, to try and get them to open up a facility in Kona. That will make a huge difference in your State.

Senator SCHATZ. Thank you. That was definitely worth the time. I appreciate it.

[Laughter.]

Senator AYOTTE. I'm glad.

Senator Sullivan.

STATEMENT OF HON. DAN SULLIVAN, U.S. SENATOR FROM ALASKA

Senator SULLIVAN. Thank you, Madam Chair.

And I actually want to also encourage you to continue your focus on Essential Air Service. The great state of Alaska and the great state of Hawaii have a lot in common on a whole host of issues, despite our size differences.

And I also, Madam Chair, want to mention what—Senator Klobuchar, what she mentioned. I did mention that, every day—you know, 41 below zero, yesterday in our hearing, when we were talking about that, is kind of just another day in Alaska. But, the issue, seriously, of shorter construction seasons in certain states is a very important one for a lot of us, including my state.

I wanted to talk about another topic that I think, in my view, holds a lot of risk for aviation infrastructure. I recently had the opportunity to speak at a conference about some of the biggest risks and threats to energy infrastructure in the United States. And some of the panelists were talking about terrorists and cyber attacks and things like this. My view is that the—some of the risks are a lot closer to home, particularly our own Federal Government. And whenever we talk about financing, in infrastructure, I think a lot of times we forget about just the mountains of red tape that have been piled up, year after year. We see it. We see it everywhere. Keystone, 6 years. We can't even move that. We—we're not even close. In Alaska, between litigation and permitting from the Federal Government, we had a mine that took 20 years to permit. I think, on average now, it takes 8 years to permit a bridge in America. These numbers are ridiculous, and they add huge costs to infrastructure.

I'm wondering if any of you would like to comment on that. I fear that this kind of regulatory redtape—we're always looking for more dollars, but we're not always looking for ways to make our own permitting system more efficient, timely, and certain.

Would any of you like to comment on that? Because I think it's a huge overlooked issue. And if you have recommendations on how we can do that better—we have to do it better. In every infrastructure area, particularly yours, if you have comments or suggestions, I would welcome those.

Mr. HAUPTLI. Senator, it's a great question. And we are constantly looking for opportunities to streamline some of the regulatory process, whether that is environmental reviews——

Senator SULLIVAN. But, they only grow. They only grow——

Mr. HAUPTLI. They only grow.

Senator SULLIVAN.—coming out of Washington.

Mr. HAUPTLI. My colleague to my left, Mr. Reis, runs the Seattle airport. As he mentioned earlier, they opened a new runway in 2008. What he didn't mention is that they built the great pyramids of Egypt faster than they built that runway. It took longer to build that runway than the great pyramids of Egypt. And that's——

Senator SULLIVAN. How many years from the beginning of permitting to end of construction?

Mr. REIS. Well, I will clarify. It only took us about three and a half years, 4 years, to build it. It took about 15 years to get through the permitting and the litigation.

Senator SULLIVAN. Fifteen years. Do you think that added a few dollars to the project?

Mr. REIS. Now, some of the——

Senator SULLIVAN. Did that add a few dollars to the project?

Mr. REIS. There's just—well, it certainly added some dollars to the project, and there were certainly outcomes of the regulatory process, the environmental review, that were meritorious. And so, the issue was—is not, "Should or shouldn't these"——

Senator SULLIVAN. No, nobody wants to cut corners, but—on the environment, on protecting the environment—but nobody wants 15 years for a permitting process.

Mr. REIS. That's——

Senator SULLIVAN. It's lunacy.

Mr. REIS. That's the exact point I was going to make, is that it's not so much the substance of the outcome, but the process to get to that outcome, that really was very debilitating to the——

Senator SULLIVAN. Well——

Mr. REIS.—to the cost.

Senator SULLIVAN.—we would welcome any very specific recommendations that you have with regard to this issue. I think it's an enormous issue, and we always—we just add more.

Let me give you one example. Mr. Reis, Mr. Hauptli, you—in the testimony or statements that you put forward—or the—from the North American Airports Council International on the proposed rule for the waters of the United States from the EPA, that testimony, Madam Chair, which I'd like to have submitted for the record, states that that rule will pose a significant regulatory threat to ongoing airport construction, compliance with certain Federal aviation safety requirements. It will have significant impacts on the time required, cost of, and construction of the projects.

Can you—would you care to comment on that rule, specifically?

Mr. REIS. I would ask, Senator, if we could submit a response for the record, because I'm not personally that familiar with the details. But, I will ask the Airport Council International staff to provide me some information that I can put in the record for you.

Senator SULLIVAN. Great.

Thank you, Madam Chair.

Mr. MINERVA. Senator, if I may add. This is an area where the airports and the airlines really agree. It's a common frustration we share. When I talked about how long these projects take, it's not for failure of execution on the part of the airports, it is just how long it takes even to get started when we all agree and we're ready to go and the money is there, and we wait.

Senator SULLIVAN. Well, we really, really need your detailed, detailed comments on how to fix it. We will work to fix it.

Thank you.

Senator AYOTTE. Thank you, Senator Sullivan. I think you made some very good points about how we could improve the system for everyone. So, it—we'd look forward to those comments as we go through the authorization.

And I would like to turn it back to my Ranking Member, Senator Cantwell.

Senator CANTWELL. Thank you, Madam Chair.

So, I want to go back to this infrastructure funding question, and give the airlines a chance to talk about that.

You started, Ms. Pinkerton, talking about the rate base as a different alternative. I look at this—the whole question and think mostly about our constituents and the consumer, because they're the one who's ultimately paying for all of this, as Mr. Minerva said, in the purchase of an airline ticket or in the PFC charge, itself, or going to the facility. So, what is it you would prefer instead?

Ms. PINKERTON. Yes. As I said earlier, I think what this boils down to is a choice, frankly, between forcing the passenger to pay on the ticket, which I do think has a disproportionate impact on small communities because of the connections, or putting it in the rate base and having airlines pay. And some people say we pass everything on to consumers. That's not exactly true. I mean, if we passed everything on to consumers, we would have never lost the $50 billion that we lost, a decade ago.

Senator CANTWELL. So, you're saying you—the exorbitant amount of fuel cost increase, you didn't pass on to consumers, and you made—airlines made other choices about how to deal with that, right?

Ms. PINKERTON. Yes. Absolutely. And that's what resulted in the losses. And so, thank goodness that's turned around a bit. In 2014, we made four and a half cents on the dollar. And the good thing about carriers being able to make modest margins is, we turn around—we bought—we've got $100 billion worth of planes on order right now. That's good for customers, more environmentally friendly, and we're reinvesting back into airports.

Again, I want to stress, the international facility in Seattle is going to get built. All of these projects are going forward within existing resources. Some are being paid with PFCs, some are being paid with AIP. And, because of airports' incredible investment-grade credit ratings, they've got cheap access to bonds. We simply don't see the need to increase taxes. We think it is a choice: either have carriers pay for it or have the consumer pay for it. Also, like United Travelers, consumer groups have come out and opposed a PFC increase.

Senator CANTWELL. Mr. Reis or others, do you have a comment about that?

Mr. REIS. Well, I think that it's, frankly and respectfully, a little disingenuous to say that the airlines do not pass costs on to the consumers. As I said, the airfare in Seattle grew by 27 percent in the last 5 years. And, of course, we all know the long litany of change fees, reservation fees, seat fees, food fees, and bag fees that the airlines have added. So, if someone did an objective analysis of the additional average incremental cost to the consumers over a 5-year, 10-year period, you would find a very large number of—associated with the increased cost to the consumer. So, to say that a $4 increase in the PFC per segment is going to have a very deleterious effect upon the American public is just, frankly, not looking objectively at the data of the costs to the American public of flying over the last 10 years.

So, then the question comes, if the airlines are saying they want to put this in the rate base, as opposed to the PFC—and, as I said earlier, the entire billion-dollar runway at Sea-Tac Airport, the airlines are not paying any amount of, because it's in—been paid for by PFCs—then I think it really comes down to control. As Ms. Pinkerton said, and Mr. Minerva said, the international arrivals facility is a facility at Sea-Tac that everybody involved believes should go forward. It's not a question of whether we desperately need it. It really comes down to who gets to make the decision on how we're going to finance it. Should the Port of Seattle Commission, elected by the people in King County, make that decision, or should the airlines make that decision? And our view is that there are certain decisions that should be made by the local government, by allocating funding sources appropriately, following our airline agreement. And the airlines are disagreeing, and they want more PFCs into that facility. So, it's——

Senator CANTWELL. Well, what's——

Mr. REIS.—really all about control.

Senator CANTWELL.—what about the rate base don't you like? Because, obviously, Ms. Pinkerton brought something up that I think is a valid point about—connecter flights obviously would be paying more. So, if you're just by the nature of Washington, a lot of connections through Sea-Tac and you're paying a ticket tax from Spokane to Sea-Tac and then Sea-Tac to L.A.—and, of course, we're trying to improve that with more direct flights and things of that nature—but, you know, you've got a lot of people, if you're in those—if you're a connecter, then you're paying twice. Is that your—that was your point, right, Ms.——

Ms. PINKERTON. Yes.

Senator CANTWELL.—Pinkerton? So—but, there may be some aversion to the rate base here that I'm not understanding.

Mr. REIS. Well, again, if I had to fly with a one-stop flight to D.C. here yesterday, instead of flying nonstop, I—my ticket would have included—if the Congress would increase the PFC to $8.50, as we suggest, my ticket would have included an $8 increase in PFCs, as opposed to $4 on a nonstop flight. That still pales in comparison to the increased costs that the airlines are imposing on their passengers.

So, yes, it would be—an effect upon the passenger would be greater, because there would be on—two stops—or one stop and two segments fees from the PFC. But, ultimately, the facilities

need to get built. And, while the airlines can point to many examples where the airlines and the airports work together to approve a facility, we can find plenty of examples where the airlines are resisting the airport putting things into their rate base. And, because they have a—an airline agreement that allows them to veto, in some instances, those projects, some of those projects are not getting done.

So, it varies by facility, it varies by airport. But, ultimately, with an increased PFC, something that would just give us back the spending power we had in 2000, then local governing boards would have a tool. They don't have to raise the PFC. They would have the ability to choose to do so, and—because they determine that it was the most cost-effective way to fund a project.

Senator CANTWELL. Well, I see that I'm over my time again, and yet still have more to discuss here, but I want to turn it back to the Chair. And I see our colleague is here.

Senator AYOTTE. Thank you.

Senator Blumenthal.

STATEMENT OF HON. RICHARD BLUMENTHAL, U.S. SENATOR FROM CONNECTICUT

Senator BLUMENTHAL. Thank you, Madam Chairman.

Unlike some other means of raising resources, the money that airlines earn on ticket fares, the monies that airlines recoup from ancillary costs, like baggage fees, is not subject to Federal excise taxes, which means that the Federal Government is, in effect, losing out on hundreds of millions of dollars in revenue that could go to our airports and improving their economic contribution to the Nation. I don't need to belabor the point that has been made by many of my colleagues about the lagging investment in our air infrastructure. But, shouldn't there be Federal excise taxes on funds that are raised from bag-checking and all these other ancillary fees? I'll open that to any of the members of——

Mr. HAUPTLI. Senator, I completely agree with you on that point. And the AAAE Board of Directors, 2 years ago, passed a policy position that those fees should be subject to the excise taxes. The airlines, since 2008, have collected $20 billion in baggage fees that have not been subject to taxes. If those fees had been subject to the excise tax, that would have represented $1.5 billion additionally that could have been used for Next-Gen advancements, and infrastructure advancements throughout the country. We think that is a very clear-cut case that those bag fees and ancillary fees should, in fact, be subject to the tax.

Senator BLUMENTHAL. What year was that?

Mr. HAUPTLI. From 2008 until last year.

Senator BLUMENTHAL. And——

Mr. HAUPTLI. And, Senator, the airline——

Senator BLUMENTHAL.—those numbers would hold true for subsequent years?

Mr. HAUPTLI. Yes. In fact, last year, the airlines collected more in bag fees than the Federal Government funded for Airport Improvement Program projects.

Ms. PINKERTON. So, if I can respond, I think it's unfortunate that the airport community chooses to tax bag fees, as opposed to talk-

ing about what we're trying to talk about at this hearing, which is to get needed projects done.

Senator BLUMENTHAL. Did you say "attack" bag fees?

Ms. PINKERTON. Well, I'm saying that Mr. Hauptli is supporting taxing bag fees.

Senator BLUMENTHAL. OK.

Ms. PINKERTON. What we have going on in aviation resources, unlike what's happening in the Highway Trust Fund—I know you work on that a lot—which is bankrupt and needs to be replenished, we're at all time record highs of revenue in the Aviation Trust Fund—$13.6 billion last year. The Aviation Trust Fund has $6 billion in cash sitting in the bank that's unobligated right now.

You know, I could talk about the airport's ancillary charges on food and whether or not that should be taxed. But, the fact of the matter is, we don't have a revenue problem. Fortunately—and we are committed to moving forward on these airport projects that need to be done within existing resources. So, additional taxes, either on airports or airlines, simply aren't needed.

Senator BLUMENTHAL. I'm not sure I understand. You're saying, basically, no new money is necessary.

Ms. PINKERTON. Existing resources—when you look at the $11 billion that the airports have in the bank, the $6 billion that's sitting in the Trust Fund now, they had record revenues from concessions this year, and every airport, unlike airlines, has the ability to obtain cheap financing on the bond market. Airport projects have always been primarily funded through bonding. It makes sense. You've got a project with a useful life of 20, 30, and 40 years, and you want to spread the cost of that over the life of the useful asset.

So, as I said, this comes down to, Do you want to increase the cost of travel, which I think negatively impacts small communities, or have it go into the rate base, which airlines are saying, "Yes, we're willing to pay"?

Senator BLUMENTHAL. Well, let me ask you, because my time is going to expire shortly. Wouldn't the fees, themselves, be reduced, as has been the experience with the base ticket fares, if this tax were imposed, and thereby improve the travel experience, but also provide an additional source of revenue for infrastructure?

Ms. PINKERTON. Well, again, we don't need an additional source of revenue, since there are so many robust and plentiful resources of revenues that are out there right now. And, frankly, I don't think that adding a tax to a bag fee is going to reduce the cost of travel—it's just going to increase the cost.

Mr. HAUPTLI. Senator, there's a short answer to your question. And it's yes.

Ms. PINKERTON. And one other thing, just for the record. I noticed, when Senator Daines asked Mr. Hauptli for an example of an airport project that wasn't moving forward because it didn't have an extra PFC increase, there hasn't been a response.

Senator BLUMENTHAL. Any other members of the panel want to weigh in on this?

Mr. REIS. Senator, I would like to address the assertion that airports have this very large pot of cash available on our balance sheets, and that that could be used for funding projects. A number

of years ago, post-9/11, the airlines were in deep trouble, and the airlines were looking to airports to do everything we could to reduce their rates and charges. At Sea-Tac—and this was replicated at airports around the country—we looked at the way we charge airlines for our use of capital, and changed it dramatically. We changed it so that, rather than charging the airlines a non-cash expense, basically coverage on our bond debt service in order to have the cushion that the rating agencies wanted us to have to ensure that we had enough resources to pay back the debt, we eliminated that for the airlines and, instead, retained a higher amount of cash because it was a cheaper way for us to have the security we needed for issuing bonds, and didn't cost the airlines anything. So, it dramatically reduced the airlines' rates and charges when we made that change, a reduction that remains today. But, the costs for us, of being able to do that, and retain the very good bond rating that Ms. Pinkerton continues to underline, is, we had to have higher levels of cash on our balance sheet. That was the security. So, we're using balance sheet security instead of income statement security to dramatically reduce the airlines' rates and charges, but it is what is behind our high bond rating.

So, on one hand, Ms. Pinkerton really wants to underline how valuable our high bond ratings are and, thus, our low-cost capital. And she's absolutely correct. But, on the other hand she's saying we should spend down the cash that is on the airport balance sheets that makes it possible for us to have those low—or those very good bond ratings.

Senator BLUMENTHAL. Mr. Minerva, I'd be interested in your point of view in representing the airlines.

Mr. MINERVA. Absolutely, thank you.

I think, you know, the airlines are not necessarily—and, in most cases, are not—asking airports to spend down their cash. There's a great range of days of cash on hand across airports. We think some have too many. But, that's not—but, for the most part, it's very rare that we go to an airport and say, "Spend your cash." We will ask an airport to fund a project through bonds. And we will pay the debt service on those bonds. And what happens out there in the airports, you have projects—sometimes the airport brings them forward, sometimes the airline brings them forward. You have sort of a slow conversation, "You know, in a couple of years, we might need something here." The airport and the airlines talk together. First, we agree on the wisdom, the scope, the pace of the project, and then we turn to the financing and we go for whatever sources are available. The primary source is airport bond funds. And we tell our airports that we support a project, we pay the bonds. And that's what happens out there almost all of the time.

A lot of the disagreements that you hear at this table just are not reflected. In fact, I think when Mr. Reis talks about his airport and the things they did after 9/11, that's a great example of how airports and airlines have worked together. And we continue to work together. And that's what I see every day in the airports that I deal with the most and the airports that we have at American. Those things get done. And there's a very positive relationship between airports and airlines. We consider ourselves business partners. We're part of the communities we serve. And so, a lot of these

things about bag fees and inflation indexing, that's not what we talk about out there when we get these projects done.

Senator AYOTTE. I want to make sure that we can—so, we're 4 minutes over, and I know that Senator Cantwell has some follow-up, and——

Senator BLUMENTHAL. Thank you.

Senator AYOTTE.—so, appreciate it. So, I want to make sure I can get to Senator Cantwell. So——

Well, we're going to have a vote called soon, too——

Senator CANTWELL. Yes.

Senator AYOTTE.—and then—I won't leave without to you, Dr. Dillingham.

Senator CANTWELL. Yes. I know people want to wrap up. I want to round out this discussion about this very important subject. And I think it's good that you're all being forthcoming about this, because I think it's going to help us get to where we ultimately need to get to.

But—and I do want to thank Dr. Dillingham, too. I really appreciate—I feel like you're one of the most tech-savvy people I've met at GAO, the fact that you were talking about where we need to go with UAVs, and now you're making the point that we're going to get these huge savings out of Next Gen, and that's what we ought to be thinking about—very, very helpful. So, thank you for understanding the technology and where aviation is going.

To this issue, I feel that airports are stewards of our economy. They represent a economic tool. Mr. Reis has to be accountable to a board of commissioners. And those commissioners have to be accountable to the public. And the public, I'm sure, eats up a lot of Mr. Reis's time about what it is—to my colleague from Alaska, I guarantee you there are a lot of neighborhoods that like to have a say about things, particularly noise and other things. Part of the process. But, on this issue, Mr. Reis has to look—or airports, in general—globally about the economic development tool that an airport represents. So, he has to plan for that. And if he has to plan for that, and, every time he has to plan for that, he has to go out for rate-based conclusion from the airlines about what you're willing to do in a negotiation to pay for that infrastructure, he doesn't have all the tools—I'm assuming that this is why they probably prefer the PFC, because it gives them that ability to then look at that resource.

But, I think this is a very important issue, in general. So, I feel the competition from the airlines and what we're seeing on the international front. We have to do a better job of—I think, on our Open Skies policy, in making sure that U.S. carriers get a fair shake. I also think that airports across America, who now all of a sudden no longer have wide-body service or single aisle service—they've got regional jets, and yet their huge infrastructures, like Pittsburgh—these cities are without an economic development tool.

So, I don't know, Mr. Reis, if you want to comment on that, but I have a feeling that one of the reasons you prefer a different mechanism is because you do have to plan. So, while the airlines might even be arguing with each other over routes and slots and all these other things, your day-to-day job is to plan for that economic commerce and expansion and serving the public. And it is a broader

view, and it must become challenging, at times, then trying to figure out how to get cooperation from a bunch of airlines that are generally working together, but oftentimes also competing.

Mr. REIS. Well, you're absolutely correct. And, in the one project that I've mentioned several times, we have a profound disagreement among the airlines about how we should fund it. And——

Senator CANTWELL. You mean "among the airlines."

Mr. REIS. Among the airlines. Not just between the Port of Seattle and the airlines, but between airlines. They have a different view of that.

To the point of the process and the question of who gets——

Senator CANTWELL. So just so everybody understands—basically, you're being stymied on trying to plan what you know is necessary economic development for the Port so that it can continue to sustain the business that we have in the Northwest. But, you can't, because the airlines, who compete with each other, are arguing about how to pay for it, because it would be a rate-base issue.

Mr. REIS. Well, we're working through it. I will say, this, again, has to do with our international arrivals facility. We had the first meeting with the airlines on the problem, on the need for us to deal with this profound congestion problem, in September 2010. We are now in the process, four and a half years later, of procuring the design-build contractor to actually carry out the project. And the airlines are still arguing about how to fund the project, and arguing that—the airlines who have a great deal of international service want us to put more PFCs into the facility, because it'll bring the rate down for the carriers who use the facility and pay for it in their rate base. The carriers who have none or very little international service are arguing that, no, we should not put PFCs into that project, or we should put very little PFCs into it, and, instead, we should put it in other projects. So, here we are, four and a half years after we started the conversation with the airlines, and the airlines are still arguing among themselves and arguing with this—with us on the funding.

So, it comes down, as you said, Senator, to: How do we do what's right for the region's economy? How do we do what's right, not just for the city of Seattle, the greater Seattle area, but the entire Pacific Northwest? And 40 percent of our international traffic connects at Sea-Tac to other airports all over the United States. How do we do that, when the airlines are seeking to slow the project down in order to get the funding in their——

Senator CANTWELL. Yes.

Mr. REIS.—preferred way? And that takes a toll on the greater Seattle area.

Senator CANTWELL. Thank you.

Thank you, Madam Chairman.

Senator AYOTTE. Thank you.

So, before we wrap this hearing up, which I'm about to do, I want to give Dr. Dillingham the last word here. Thank you, sir. Especially since you've appeared before the Committee twice this week. You deserve the last word.

Dr. DILLINGHAM. Thank you, Madam Chairman. Always a privilege.

I was going to respond to Senator Schatz that, just to remind the Committee that, in 2010, GAO made a recommendation that, if the Congress determined that taxing baggage fees and other untaxed ancillary fees would be useful for the Trust Fund, that they could consider amending the IRS code and the Treasury regulations and move forward with that. So, that was what I wanted to try to share with the Committee and with Senator Schatz, as well.

Thank you very much.

Senator AYOTTE. Thank you.

I want to thank all of you for being here. This was a robust discussion today on a very important issue that we need to address in the reauthorization. But, I thought that we had a good variety of viewpoints represented on this important issue. And I think all of us share the concern to make sure that we can continue to invest in our airport infrastructure, also focusing on the passengers and their experience, and that they're, as consumers, paying for all of this. So, I know we appreciate this testimony today, and we'll be taking it under advisement as we work on the authorization. And I'm sure we'll have follow up questions for all of you and those that you represent.

So, with that, I'm going to close out this hearing and note that the record will be open for 2 weeks. And, during this time, Senators are asked to submit any questions for the record. Upon receipt, if each of you would submit your written answers to the Committee as soon as you can, we'd appreciate it.

And I want to thank you all for being here today for this important hearing.

This hearing is now adjourned.

[Whereupon, at 11:45 a.m., the hearing was adjourned.]

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